

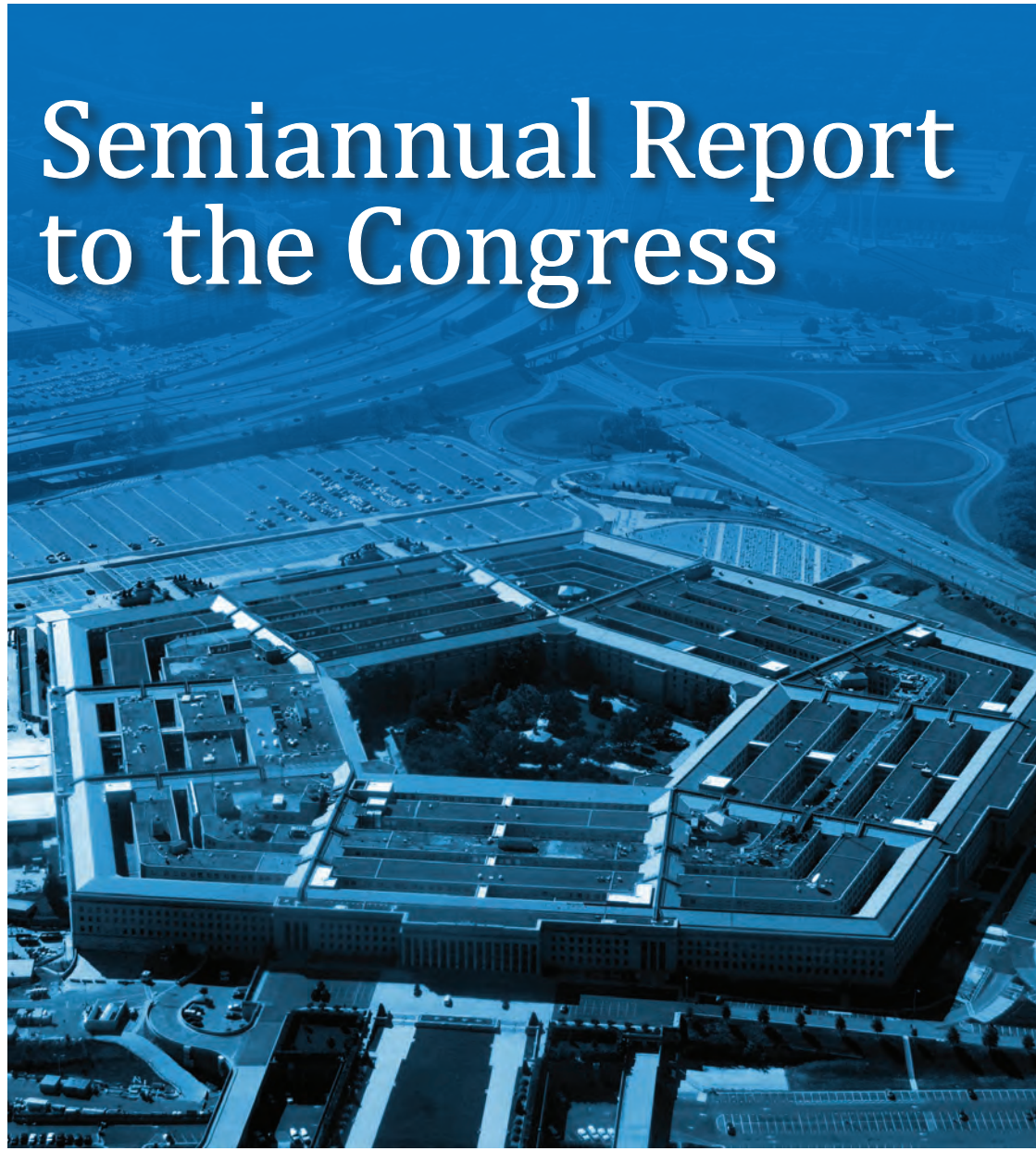


# INSPECTOR GENERAL

*United States Department of Defense*

OCTOBER 1, 2012 TO MARCH 31, 2013

## Semiannual Report to the Congress



*Required by Public Law 95-452*

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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## Mission

*Our mission is to provide independent, relevant, and timely oversight of the Department that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.*

## Vision

*Our vision is to be a model oversight organization in the federal government by leading change, speaking truth, and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.*

.....  
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.....



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500



I am pleased to present the Department of Defense Inspector General Semiannual Report to Congress for the reporting period October 1, 2012, through March 31, 2013, issued in accordance with the Inspector General Act of 1978, as amended.

This year marks the 30th anniversary of DoD IG. Over the course of 30 years, many groundbreaking audits, inspections, and investigations have paved the way for reducing fraud, waste, and abuse across the Department. When you consider the projects we have completed over the past 30 years, the positive impact we have made on the Department is truly remarkable.

In this report, we highlight a few of those significant projects completed during the reporting period to include:

- Identifying government property valued at roughly \$892.3 million that was not being valued or tracked in the Army accountability systems or on financial statements.
- Investigating a prime DoD contractor for falsely claiming to be a service-disabled veteran owned small business.
- Evaluating the Air Force Accident Investigation Board Report on the F-22A mishap of November 16, 2010, and identifying five deficiencies.
- Assessing U.S. and coalition efforts to improve health care conditions and develop sustainable Afghan National Security Forces medical logistics at the Dawood National Military Hospital in Kabul, Afghanistan.

In addition, we highlight the DoD Whistleblower Protection Program including our role in issuing policy and procedures, and the appointment of a DoD whistleblower protection ombudsman.

During this reporting period, we issued 64 reports and identified \$1.3 billion in potential monetary benefits. DCIS investigations were the basis for 56 arrests, 102 criminal charges, 98 criminal convictions, 98 suspensions, and 95 debarments, as well as \$1.6 billion returned to the government. The DoD Hotline fielded 16,615 contacts from the public and members of the DoD community.

I would like to thank our counterparts who contributed to this report, including the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, U.S. Army Criminal Investigation Command, Naval Criminal Investigative Service, Air Force Office of Special Investigations, and the Defense Contract Audit Agency.

In closing, I want to express my appreciation for the accomplishments of all DoD IG employees and the entire defense oversight community. As we continue to address efficiencies in the Department, I would once again like to thank the Department and Congress for their commitment to supporting the work of our office.

*Lynne M. Halbrooks*

Lynne M. Halbrooks  
Principal Deputy

Principal Deputy  
Inspector General  
Lynne M. Halbrooks.

# STATISTICAL HIGHLIGHTS

## SUMMARY OF AUDIT ACTIVITIES

Reports Issued	50
Monetary Benefits	
Recommendations Made on Funds Put to Better Use	\$1 billion
Achieved Monetary Benefits (Funds Put to Better Use)	\$932.8 million

## SUMMARY OF DEFENSE CRIMINAL INVESTIGATIVE SERVICE ACTIVITIES

Total Returned to the U.S. Government <sup>1</sup>	\$1.6 billion
Recovered Government Property	\$5.2 million
Civil Judgments/Settlements	\$898.6 million
Criminal Fines, Penalties, Restitution and Forfeitures	\$717.8 million
Administrative Recoveries <sup>2</sup>	\$72.5 million
Investigative Activities	
Arrests	56
Criminal Charges	102
Criminal Convictions	98
Suspensions	98
Debarments	95

## SUMMARY OF ADMINISTRATIVE INVESTIGATIONS

Complaints Received	695
Complaints Closed	534
Senior Official	256
Whistleblower Reprisal	278

## SUMMARY OF POLICY AND OVERSIGHT ACTIVITIES

Existing and Proposed Regulations Reviewed	139
Evaluation Reports Issued	7
Inspector General Subpoenas Issued	309
Contractor Disclosures Received	86
Potential Monetary Benefits	\$249 million

## SUMMARY OF INTELLIGENCE AND SPECIAL PROGRAM ASSESSMENTS ACTIVITIES

Reports Issued	4
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## SUMMARY OF SPECIAL PLANS AND OPERATIONS ACTIVITIES

Assessment Reports Issued	3
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## SUMMARY OF DEFENSE HOTLINE ACTIVITIES

Contacts	16,615
Cases Opened	1,499
Cases Closed	1,050

<sup>1</sup> Includes investigations conducted jointly with other law enforcement organizations.

<sup>2</sup> Includes contractual agreements and military non-judicial punishment.

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# REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, states that each inspector general shall no later than April 30 and October 31 of each year prepare semiannual reports summarizing the activities of the office during the immediately preceding six-month periods ending March 31 and September 30. The IG Act specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to the applicable pages.

REFERENCES	REQUIREMENTS	PAGE
Section 4(a)(2)	"review existing and proposed legislation and regulations...make recommendations..."	N/A
Section 5(a)(1)	"description of significant problems, abuses, and deficiencies..."	12-54
Section 5(a)(2)	"description of recommendations for corrective action...with respect to significant problems, abuses, and deficiencies..."	12-54
Section 5(a)(3)	"identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed..."	N/A
Section 5(a)(4)	"a summary of matters referred to prosecutive authorities and the prosecution and convictions which have resulted."	12-54
Section 5(a)(5)	"a summary of each report made to the [Secretary of Defense] under section 6(b)(2)..." instances where information requested was refused or not provided"	N/A
Section 5(a)(6)	"a listing, subdivided according to subject matter, of each audit report, inspection report, and evaluation report issued" showing dollar value of questioned costs and recommendations that funds be put to better use.	106-113
Section 5(a)(7)	"a summary of each particularly significant report..."	12-54
Section 5(a)(8)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the total dollar value of questioned costs..."	115
Section 5(a)(9)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management..."	115
Section 5(a)(10)	"a summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period..."	115
Section 5(a)(11)	"a description and explanation of the reasons for any significant revised management decision..."	N/A
Section 5(a)(12)	"information concerning any significant management decision with which the Inspector General is in disagreement..."	N/A
Section 5(a)(13)	"information described under Section 05(b) of the Federal Financial Management Improvement Act of 1996..." (instances and reasons when an agency has not met target dates established in a remediation plan)	N/A
Section 5(a)(14)	"An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period..."	129
Section 5(a)(15)	"A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete..."	N/A
Section 5(a)(16)	"Any peer reviews conducted by DoD IG of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review...that remain outstanding or have not been fully implemented..."	129
Section 5(b)(2)	"statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of disallowed costs..."	116
Section 5(b)(3)	"statistical tables showing the total number of audit, inspection, and evaluation reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision..."	116
Section 5(b)(4)	"a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year..."	125-128
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# Overview



# Mission

## Serving the Congress and the Department

Department of Defense Inspector General is an independent, objective agency within the U.S. Department of Defense that was created by the Inspector General Act of 1978, as amended. DoD IG is dedicated to serving the warfighter and the taxpayer by conducting audits, investigations, inspections and assessments that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department of Defense and the Congress.

## Mission

Our mission is to provide independent, relevant and timely oversight of the Department of Defense that:

- Supports the warfighter.
- Promotes accountability, integrity and efficiency.
- Advises the secretary of defense and Congress.
- Informs the public.

## Vision

Our vision is to be a model oversight organization in the federal government by leading change, speaking truth and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

## Core Values

- Integrity
- Efficiency
- Accountability
- Excellence

## Goal 1

Promote economy, efficiency and effectiveness.

## Goal 2

Identify, deter and investigate fraud, waste and abuse.

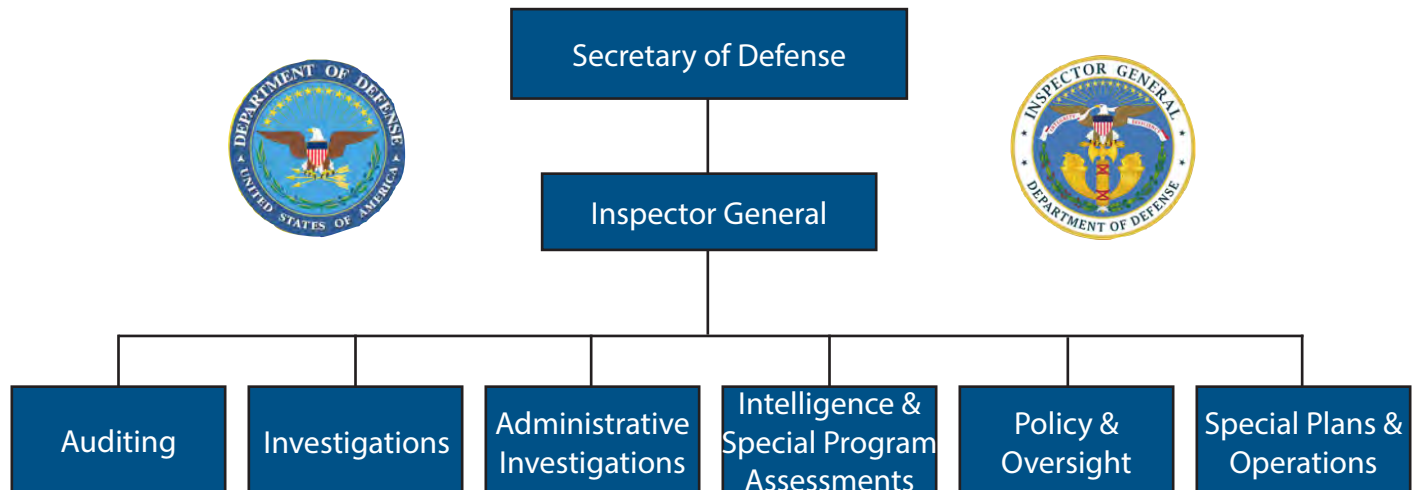
## Goal 3

Engage, enable and empower our people.

## Goal 4

Achieve excellence through unity.





## Auditing

The Office of the Deputy Inspector General for Auditing conducts audits on all facets of DoD operations. The work results in recommendations for reducing costs; eliminating fraud, waste and abuse of authority; improving performance; strengthening internal controls; and achieving compliance with laws, regulations and policy.

## Investigations

The Office of the Deputy Inspector General for Investigations leads the Defense Criminal Investigative Service, which protects America's warfighters by conducting criminal and civil investigations in support of crucial national defense priorities.

## Administrative Investigations

The Office of the Deputy Inspector General for Administrative Investigations investigates and oversees investigations of allegations regarding the misconduct of senior DoD officials, both civilian and military; restriction from communicating with an IG or member of Congress; whistleblower reprisal against service members, defense contractor employees and DoD civilian employees (appropriated and nonappropriated fund); and improper command referrals of servicemembers for mental health evaluations.

## Intelligence and Special Program Assessments

The Office of the Deputy Inspector General for Intelligence and Special Program Assessments provides oversight (audits, evaluations and inspections) across the full spectrum of programs, policies, procedures and functions of the intelligence enterprise, special access programs, nuclear enterprise and related security issues within DoD.

## Policy and Oversight

The Office of the Deputy Inspector General for Policy and Oversight provides oversight and policy for audit and investigative activities, conducts engineering assessments of DoD programs, provides technical advice and support to DoD IG projects and operates the DoD IG subpoena and contractor disclosure programs.

## Special Plans and Operations

The Office of the Deputy Inspector General for Special Plans and Operations provides assessment oversight to facilitate informed decision making by senior civilian and military leaders of DoD and Congress to accomplish priority national security objectives.

# Executive Summary

## Overview

The Inspector General Act of 1978, as amended, states that the inspector general is responsible for conducting audits, investigations and inspections and for recommending policies and procedures to promote economical, efficient and effective use of agency resources and programs that prevent fraud, waste, abuse and mismanagement. The IG Act also requires the inspector general to keep the Department and Congress fully and currently informed about problems and deficiencies in the Department's operations and the need for corrective action.

During this reporting period, DoD IG continued directing its resources toward those areas of greatest risk to the Department of Defense. We are dedicated to serving the warfighter and the taxpayer by conducting audits, investigations and inspections that result in improvements to the Department. DoD IG provides guidance and recommendations to the Department and information to Congress. We summarize below the work of each component as of March 31, 2013.

*Auditing* issued 50 reports with 294 recommendations identifying potential cost savings and funds that could be put to better use, ensuring the safety of service members; addressing improvements in DoD operations, financial reporting and accountability; ensuring the Department complied with statutory mandates; and identifying new efficiencies. Of those reports, 30 percent addressed acquisition processes and contracting issues; 46 percent addressed financial management issues; 6 percent addressed joint warfighting and readiness issues; 8 percent addressed information assurance, security and privacy issues; 2 percent addressed health care; 6 percent addressed equipping and training Afghan National Security Forces; and 2 percent addressed ethics program and federal government standards.

*Investigations-Defense Criminal Investigative Service* opened 325 cases, closed 357 cases and has 1,620 ongoing investigations. Cases resolved in this reporting period primarily addressed criminal allegations of procurement fraud, public corruption, product substitution, illegal transfer of technology and health care fraud.

*Administrative Investigations* received a total of 695 complaints for the first half of FY 2013 and closed a total of 534 complaints. Of the 534 complaints closed, 216 were full investigations. The investigations involved whistleblower reprisal, restriction of service members from contacting an IG or member of Congress, procedurally improper mental health referrals and senior official misconduct.

*Intelligence and Special Program Assessments* issued four reports that addressed acquisition processes and contract and financial management in the intelligence enterprise and special programs.

*Policy and Oversight* issued seven evaluation reports primarily addressing its oversight of audit and investigative issues in DoD agencies and an assessment of the Air Force Accident Investigation Board Report concerning a November 2010 F-22A crash. Policy and Oversight also issued four Department-wide policies, coordinated on 139 existing and proposed DoD directives and instructions, issued 309 IG subpoenas and received 86 contractor disclosures.

*Special Plans and Operations* issued three assessment reports with 34 recommendations that addressed a range of issues, including U.S. and coalition efforts to develop the command, control and coordination system within the Afghan National Army. U.S. and coalition efforts to improve health care conditions and develop sustainable Afghan National Security Forces' medical logistics at the Dawood National Military Hospital in Kabul, Afghanistan, were also reviewed.

As of March 31, 2013, the DoD IG workforce totaled 1,578 employees, not including military personnel and contractors.

## Priorities

As a Department-wide priority, the secretary of defense identified the need to improve effectiveness and efficiencies in business operations to sustain mission-essential activities. In support of this focus, DoD IG uses its extensive oversight capabilities to promote economy, efficiency and effectiveness throughout the Department. DoD

“DCIS opened 325 cases, closed 357 cases and has 1,620 ongoing investigations.”

IG performs audits, investigations and assessments to support the Department's goals to:

- Prevent and deter conflict.
- Prevail in today's wars.
- Prepare to defeat adversaries and succeed in a wide range of contingencies.
- Preserve and enhance the all-volunteer force.
- Reform and find further efficiencies in the business and support functions of the defense enterprise.

We performed audits, inspections and assessments of key programs and operations. We also consulted on a variety of Department initiatives and issues. DoD IG is focusing work efforts on preventing and detecting fraud, waste and abuse and improving efficiency and effectiveness in critical areas for the Department such as:

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Information assurance, security and privacy.
- Equipping and training Afghan National Security Forces.

Our investigations resulted in criminal, civil and administrative actions. We report on the following investigative priorities for crimes impacting the Department:

- Procurement fraud.
- Public corruption.
- Product substitution.
- Health care fraud.
- Illegal technology transfer.
- Cyber crime and computer network intrusions.

## Core Mission Areas

We issued 64 reports identifying \$1.3 billion in potential monetary benefits. We achieved an additional \$932.8 million in financial savings based on management completed corrective actions to reports issued this year and in previous reporting periods. In addition, DCIS investigations were the basis for 56 arrests, 102 criminal charges, 98 criminal convictions, 98 suspensions and 95 debarments, as well as \$1.6 billion returned to the government.

## Audits

- We identified government property (Army-owned inventory), valued at roughly \$892.3 million, that was not being valued or tracked in Army property accountability systems or on the financial statements. Our review of 21 high-dollar parts, valued at \$85.1 million, showed that 16 parts had excess Stryker inventory of \$72.7 million that could be either disposed of (\$58 million) or potentially used on other contracts (\$14.7 million). Additionally, we found 170 empty engine containers, valued at \$1.1 million, that the contractor determined could be used to store a different engine, thereby reducing future requirements.

### **Report No. DODIG-2013-025**

- We identified that the NATO Training Mission – Afghanistan/Combined Security Transition Command – Afghanistan and G222 Program Management Office officials had not effectively managed the G222 program and had not determined the cost or availability of spare parts to sustain the aircraft. As a result, NTM-A/CSTC-A and G222 PMO officials may have spent about \$200 million in Afghanistan Security Forces Funds on spare parts for an aircraft that may not be sustainable. After DoD IG issued the draft report, the Air Force notified the contractor that when the G222 follow-on sustainment support contract expired in March 2013, no action would be taken to issue a new delivery order, ending the G222 program. According to the Air Force, if the program continued through March 2022, as originally planned, it would have required \$830 million, in addition to the nearly \$200 million identified in the report, in sustainment costs, to include a significant amount for spare parts.

### **Report No. DODIG-2013-040**

- We identified that the Army chief information officer did not implement an effective cyber security program for commercial mobile devices. The Army CIO did not appropriately track commercial mobile devices and was unaware of more than 14,000 commercial mobile devices used throughout the Army. Additionally, the Army CIO did not ensure that commands configured

“We issued 64 reports identifying \$1.3 billion in potential monetary benefits.”

# Executive Summary

“Critical information assurance controls were not appropriately applied, which left the Army networks vulnerable to cyber security attacks and leakage of sensitive data.”

commercial mobile devices to protect stored information; required them to be properly sanitized; controlled commercial mobile devices used as removable media; and required training and use agreements specific to commercial mobile devices. Critical information assurance controls were not appropriately applied, which left the Army networks vulnerable to cyber security attacks and leakage of sensitive data.  
*Report No. DODIG-2013-060*

## Investigations

- We investigated Silver Star Construction, LLC, a prime DoD contractor, for falsely claiming to be a service-disabled veteran-owned small business. As such, the company obtained more than \$5 million in contracts set aside under the SDVOSB program and procured them under the American Recovery and Reinvestment Act of 2009. The owner, Warren Parker, was sentenced to 87 months in prison and ordered to forfeit \$6.8 million to be paid jointly and severally with other co-defendants.
- We investigated EMH Regional Medical Center and North Ohio Heart Center for allegedly performing unnecessary cardiac procedures on patients, to include TRICARE beneficiaries. The Department of Justice entered into civil settlement agreements with both companies. North Ohio Heart Center and EMH Regional Medical Center agreed to pay \$541,870 and \$3.8 million, respectively, to settle allegations that they submitted false claims to Medicare, Medicaid, TRICARE and Federal Employees Health Benefits Programs. This was a qui tam case and \$682,859 of the settlement amount will go to the relator.
- We investigated Susan Yeh, an employee of a Taiwanese technology company, who attempted to purchase extra-high-performance microwave pyramid absorbers, ultra-broadband microwave absorbers and multilayer low pass filter networks from a DoD contractor. Yeh tried to arrange to transship the items to Iran through the United Arab Emirates and Taiwan. The attempted purchase and shipment was in

violation of the International Emergency Economic Powers Act and the Iranian Transaction Regulations and U.S. export laws. After her arrest, Yeh pleaded guilty to conspiracy to violate the International Emergency Economic Powers Act and the Iranian Transaction Regulations. She was sentenced to two years confinement and three years supervised release.

## Inspections

- We assessed U.S. and coalition efforts to develop the command, control and coordination system within the Afghan National Army. Extensive U.S. and coalition efforts have yielded a foundational C2 capability that is adequately resilient, coherent and capable of transitioning to Afghan lead in plans and operations by 2014. However, the capacity for sustained continuity of an effective ANA C2 system was fragile and remained highly dependent upon International Security Assistance Force enablers including intelligence, surveillance and reconnaissance capabilities with an analysis capability, counter-improvised explosive device technology and mine clearance assets, (indirect and aerial) fires capability, ground and air mobility, and logistics sustainment.  
*Report No. DODIG-2013-058*
- We assessed U.S. and coalition efforts to improve health care conditions and develop sustainable Afghan National Security Forces medical logistics at the Dawood National Military Hospital in Kabul, Afghanistan. Since our last assessment in 2011, we found development at NMH had advanced in the areas of planning and mentoring, leadership and management and logistics and patient care, specifically with respect to the establishment of a strategic plan to develop the ANSF health care system jointly with Afghan ministries, and strengthened personnel accountability and patient care procedures and increased inventory accountability and control measures for medical supplies. However, significant challenges remain, specifically in the assignment of additional nursing personnel to patient wards based on the demands for nursing services,

increasing the number of trained pharmacists assigned to the pharmacy and improving the distribution of medical equipment to ensure patient care areas with the greatest need have the necessary equipment to provide safe and effective patient care.  
**Report No. DODIG-2013-053**

## Policy and Oversight

- We performed a review of the Defense Finance and Accounting Service audit organization covering a one-year period that ended June 30, 2011, and identified significant deficiencies in the DFAS audit organization's compliance with its system of quality control, including the failure to exercise sufficient professional judgment. DFAS was issued a fail opinion on its audit organization's system of quality control. We concluded that the DFAS audit organization did not comply with generally accepted government auditing standards and their system of quality control for audits for the review period. We determined that the system of quality control did not provide reasonable assurance that DFAS audit personnel were following established guidance, policies, procedures and applicable audit standards.  
**Report No. DODIG-2013-047**

- The evaluation of the Military Criminal Investigative Organizations' sexual assault investigation training focused on the types and effectiveness of training, as well as how they leverage their resources and expertise. DoD IG found the training adequately supports the Department; however, initial baseline training was inconsistent between the MCIOs, effectiveness of refresher training was not measured and efforts to leverage resources and expertise for advanced training varied. DoD IG recommended the MCIOs form a working group to establish consistent initial baseline training, develop requirements for measuring the effectiveness of refresher training and capitalize on existing efforts to leverage training resources and expertise for advanced training programs.  
**Report No. DODIG-2013-043**

- We reviewed the Air Force Aircraft Accident Investigation Board report on the

F-22A mishap of Nov. 16, 2010, for adherence to the procedures set forth in Air Force Instruction 51-503, Aerospace Accident Investigations. We assessed whether the board's conclusions were supported by facts consistent with the standards of proof established by the instruction. The board's statement of opinion regarding the cause of the mishap was not supported by the facts within the Accident Investigation Board report consistent with the clear and convincing standard of proof established by the instruction. The report lacked detailed analysis of several areas, such as the emergency oxygen system activation as well as the physiological reactions to lack of oxygen. Of the 109 references in the board's summary of facts, 60 of those references were either incorrect or did not direct the reader of the report to the information cited in the paragraph. We recommended that the judge advocate general of the Air Force reevaluate the board's report and take appropriate action in light of the DoD IG findings regarding the board's report statement of opinion and other deficiencies.  
**Report No. DODIG-2013-041**

## Administrative Investigations

- During the first half of FY 2013, the Department substantiated three of 55 (5 percent) investigations of whistleblower reprisal, six of 10 (60 percent) investigations of improper mental health referrals and one (100 percent) investigation of restricting a member from contacting an IG or member of Congress.
- The Department substantiated 47 of 150 (31 percent) investigations of senior official misconduct.

## Enabling Mission Areas

### DoD Hotline

The DoD Hotline received 16,615 contacts from the public and members of the DoD community during this reporting period. Of those contacts, 7,014 (43 percent) were telephone calls. Based on these contacts, the hotline opened 1,499 cases and closed 1,050 cases.

### Congressional Testimony & Briefings

During the reporting period, DoD IG had 65 meetings with members of Congress and their staffs on subjects including plans for the IG community reviews required by the Reducing Over-Classification Act, pending legislative taskings, ongoing assessments in Southwest Asia and an audit of the cost and availability of G222 spare parts. DoD IG received 123 new congressional inquiries and closed 94 cases, including a report on noncompliant crime laboratory analyses based on allegations that a forensic analyst at the USACIDC allegedly falsified critical test results and an audit on Antideficiency Act violations in military personnel accounts. New inquiries involved issues such as discussions on proposed legislative changes related to reprisal investigations, requests related to senior official investigations and concerns about the Department's implementation of IG recommendations.

DoD IG authority when DoD IG was established by an amendment to the IG Act.

The DoD Hotline is the primary means for whistleblowers to report fraud, waste, mismanagement, abuse of authority and threats to the public health and safety involving DoD.

Along with the establishment of inspectors general to receive and investigate complaints of fraud, waste and abuse, Congress also has enacted several laws to protect whistleblowers (see chart on next page).

DoD IG is responsible for issuing regulations implementing whistleblower laws. Specifically, DoD IG issues whistleblower protection policy and procedures pertaining to members of the armed forces and nonappropriated fund employees:

- DoD Directive 7050.06, Military Whistleblower Protection.
- DoD Instruction 1401.03, DoD Nonappropriated Fund Instrumentality Employee Whistleblower Protection.

### DoD Whistleblower Program Today

Between 2009 and 2013, DoD IG increased resources dedicated to the Whistleblower Protection Program, established a Directorate of Whistleblowing and Transparency and appointed a DoD whistleblower protection ombudsman.

The Whistleblower Protection Enhancement Act of 2012 requires each inspector general to designate a whistleblower protection ombudsman. Within DoD IG, the director of whistleblowing and transparency has been designated to serve as the whistleblower protection ombudsman. The role of the ombudsman is to educate DoD employees about the prohibitions on retaliation for protected disclosures and the rights and remedies available to whistleblowers.

DoD IG ensures that allegations of whistleblower reprisal are resolved in an objective and timely manner. DoD IG encourages personnel to report fraud, waste and abuse to appropriate authorities; provides mechanisms for addressing

## IG Highlights

## IG Highlights

### Whistleblower Protection Program: Past, Present and Future

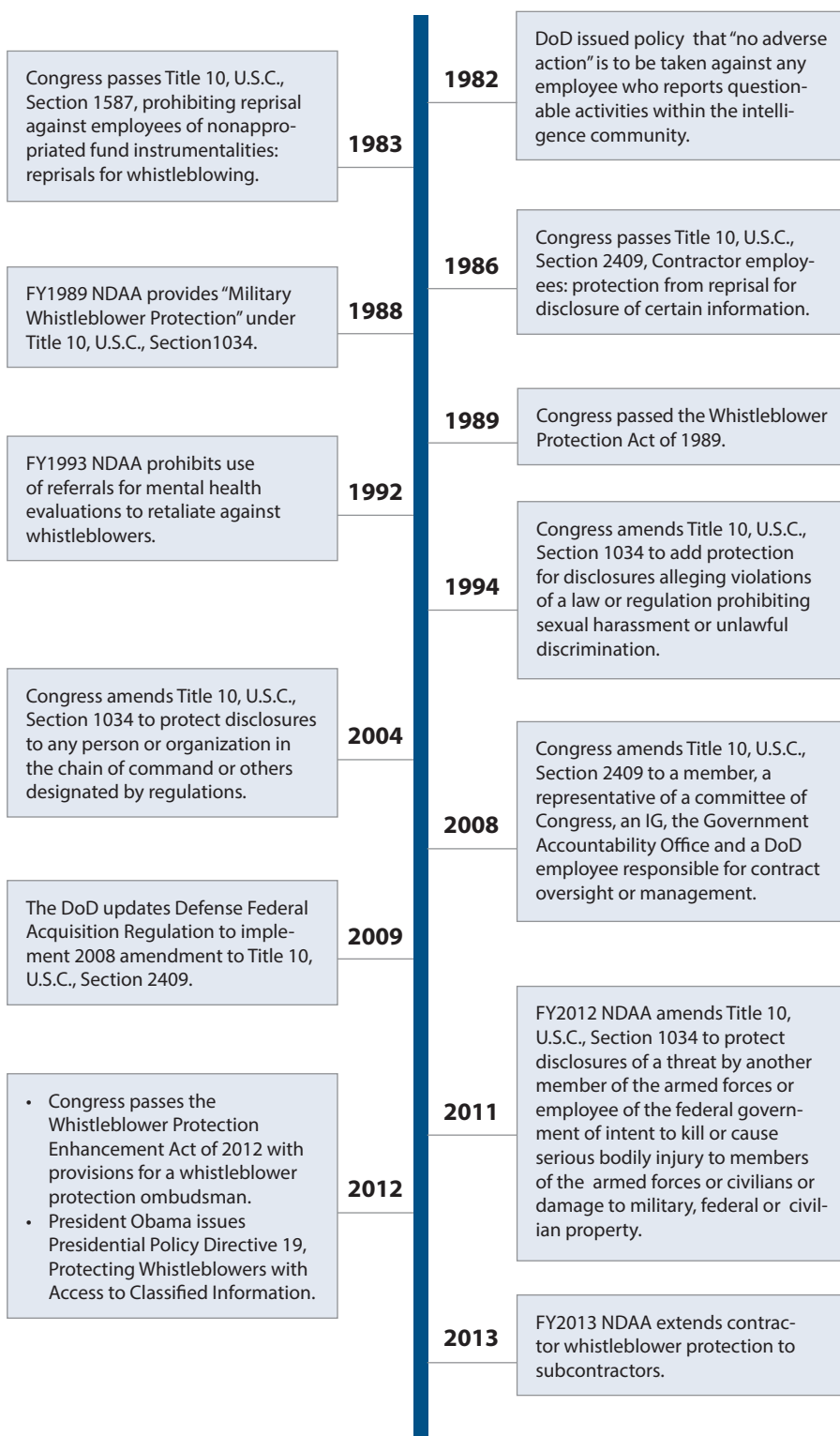
In April 1979 after allegations of \$600 toilet seats and other reports of DoD procurement scandals, the secretary of defense authorized creation of the DoD Hotline to provide a mechanism for DoD military members, employees and contractors to report fraud, waste and abuse. In 1982, the secretary of defense placed the hotline under

complaints of reprisal; and recommends remedies for whistleblowers who encounter reprisal, consistent with applicable laws, regulations and policies. DoD IG has statutory responsibility to investigate complaints of reprisal for making disclosures protected by three federal statutes under Title 10 of the United States Code (1) U.S.C., Section 1034 for members of the armed forces, (2) U.S.C., Section 1587 for DoD non-appropriated fund employees and (3) U.S.C., Section 2409 for DoD contractor employees. DoD IG also investigates allegations of reprisal filed by DoD appropriated fund civilian employees in accordance with the IG Act, consistent with Title 5, U.S.C., Section 2302. Reprisal is a prohibited personnel practice under Title 5. This latter authority is crucial to whistleblower protections for members of the intelligence community who cannot avail themselves of Office of Special Counsel and Merit Systems Protection Board protection. Whistleblower reprisal investigations have been the only recourse for members of the defense intelligence community who believe they have been retaliated against, especially if retaliation is related to access to classified information or a security clearance.

DoD IG predominantly receives allegations of reprisal through the DoD Hotline and members of Congress. However, in some instances, service and defense agency IGs refer allegations to DoD IG if the service member is serving in a joint assignment or other special circumstances exist. DoD IG conducts complaint analysis of each case to determine whether the whistleblower has set forth a “prima facie” allegation of reprisal. If so, DoD IG has the discretion to either conduct an investigation or forward it to the service IG for investigation.

Although the service and defense agency IGs may also independently receive and investigate reprisal allegations, Title 10, U.S.C., Section 1034 charges DoD IG with a critical oversight role to approve any decision made by a service IG that investigation of military whistleblower reprisal is not warranted and to approve the results of all military whistleblower reprisal investigations conducted by service IGs. This requires extensive collaboration with the service IG counterparts to

## History and Evolution of Whistleblower Protection Program



“DoD IG is dedicated to educating, training and conducting outreach with service and defense agency IGs and their staffs on how to investigate allegations of whistleblower reprisal...”

ensure each allegation of whistleblower reprisal receives a thorough and independent review.

## The Way Forward

During this reporting period, the president and Congress issued policy and amended statutes to expand and enhance whistleblower protections in three areas:

### Presidential Policy Directive 19, Protecting Whistleblowers with Access to Classified Information.

The directive ensures that employees serving in the intelligence community or who are eligible for access to classified information can effectively report waste, fraud and abuse while protecting classified national security information.

### Whistleblower Protection Enhancement Act of 2012

The Act amended Title 5, U.S.C., Section 2302 to expand the whistleblower protections afforded to appropriated fund civilian employees in multiple respects. For example, under the Act, disclosures may now qualify for protection even if the whistleblower was not the first to report the misconduct and even if the disclosure was connected to the whistleblower's job duties—two common scenarios that previously caused complaints to fail.

In October 2012, DoD IG established an informal working group to support implementation of the directive throughout the defense intelligence community.

### Enhanced Protections for Contractor Employees

Congress amended Title 10, U.S.C., Section 2409 to extend coverage and protection to:

- Employees of subcontractors.
- Disclosures that are made to management officials of the contractor.
- Abuses of authority that undermine performance of a contract.
- Reprisal actions taken at the request of contracting agency.
- A violation of a law, rule or regulation [prior language only included violation of a law] related to a DoD contract or grant.
- An employee who initiates or provides evidence of contractor or subcontractor misconduct in any judicial or administrative proceeding relating to waste, fraud or abuse on a DoD contract or grant.

The amendment revises the standard for burden of proof in investigations, stipulates that whistleblower rights may not be waived by an agreement and establishes a three-year statute of limitations for filing complaints. The changes followed testimony by the deputy inspector general for administrative investigations on Dec. 6, 2011, before the Subcommittee on Contracting Oversight of the Senate Committee on Homeland Security and Governmental Affairs at a hearing titled, "Whistleblower Protections for Government Contractors."

DoD IG is dedicated to educating, training and conducting outreach with service and defense agency IGs and their staffs on how to investigate allegations of whistleblower reprisal, including the joint IG training courses and whistleblower reprisal outreach initiatives, among others.

# Core Mission Areas



## Audits

The following are highlights of DoD IG audit work during the reporting period. DoD IG performed audits in the following categories:

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Information assurance, security and privacy.
- Equipping and training Afghan security forces.

### Acquisition Processes & Contract Management

The Department faces many challenges as it attempts to restructure the force needed to execute the national security strategy while maintaining readiness and reducing infrastructure, modernizing aging equipment, introducing new technologies, preserving the industrial base and ensuring our technological superiority over our enemies. Since 2010, DoD has been working to strengthen its buying efforts, improve industry productivity and provide an affordable, value-added military capability to the warfighter. The Better Buying Power initiative encompasses a set of fundamental acquisition principles to achieve greater efficiencies through affordability, cost control, elimination of unproductive processes and bureaucracy and promotion of competition.

The Department continues to face persistent and significant challenges in acquiring goods and services, including those in support of contingency operations in Southwest Asia. During this reporting period, DoD IG continued to identify weaknesses in obtaining adequate competition for contracts, defining contract requirements, overseeing contract performance, obtaining fair and reasonable prices, interagency contracting and contract payments.

Acquisition, Technology and Logistics has defined instances where DoD awarded contracts using competitive procedures, where only a single bid was received, as ineffective competition. For this audit, DoD IG determined whether DoD followed applicable guidance when awarding competitive contracts after receiving a single offer. Specifically, DoD IG reviewed 107 contracts valued at almost \$1.4 billion, 47 contract modifications valued at \$461.3 million and 83 Broad Agency Agreement and Small Business Innovation Research contracts valued at \$96.3 million to determine whether the services followed single-bid guidance.

**Findings:** The services did not follow applicable single-bid guidance when awarding approximately \$656.1 million in contracts and did not verify that modifications were only made within the three-year limitation from base contract award. The services did not always follow single-bid guidance because the services' competition advocates did not adequately monitor their commands' implementation of the guidance to verify proper application. Additionally, the services did not develop adequate plans to increase competition because Defense Procurement and Acquisition Policy did not provide effective oversight of the plans. Also, the competition advocates did not develop specific steps to improve competition rates in their plans or develop specific steps to prevent all contract modifications from exceeding the three-year limitation on awarding contract modifications without first re-competing them. Also, the services did not correctly code all the contracts in the Federal Procurement Data System-Next Generation database because the services' competition advocates did not establish an adequate review process to verify that contracting officers correctly inputted the type of contract. Finally, DPAP allowed the single-bid guidance to expire because DPAP did not incorporate the single-bid guidance requirements into policy within 180 days. DPAP also did not classify 83 Broad Agency Agreement and Small Business Innovations Research contracts as having effective competition, because DPAP incorrectly identified them in the DoD effective competition report. As a result, the services have not realized potential cost savings associated with increased competition for 31 of the 78 single-bid contracts and

“The services have not realized potential cost savings associated with increased competition and re-competing \$390.9 million in contract modifications ...”



#### Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts

**Overview:** According to the Office of Federal Procurement Policy, competitions that receive only one bid in response to a solicitation deprive agencies of the ability to compare alternatives and determine a fair and reasonable price. The Office of the Under Secretary of Defense for

with re-competing 39 of the 47 contract modifications reviewed. The services have not realized potential cost savings associated with increased competition and re-competing \$390.9 million in contract modifications. DoD also cannot accurately assess the percentage of improvements in DoD achieving effective competition.

**Result:** DoD IG recommended that the DPAP director review the services' competition reports, direct the services' competition advocates to develop a plan related to the length of contract modifications and modify the DoD effective competition report. Additionally, the services' competition advocates should develop procedures to adequately monitor their commands' implementation of the single-bid guidance, develop steps to increase competition in their competition plans and three-year period of performance plans and monitor their contracting officers' Federal Procurement Data System-Next Generation input.

**Report No. DODIG-2013-002**



#### Army Contracting Command–Aberdeen Proving Ground Contracting Center's Management of Noncompetitive Awards Was Generally Justified

**Overview:** Full and open competition is the preferred method for federal agencies to award contracts. Contracting officers may use procedures other than full and open competition under certain circumstances. However, each contract awarded without providing for full and open competition must conform to policies and requirements in the Federal Acquisition Regulation. DoD IG determined whether DoD noncompetitive contract awards were properly justified as sole source at the Army Contracting Command–Aberdeen Proving Ground Contracting Center. DoD IG reviewed 30 noncompetitive contracts with a combined obligated value of about \$529.2 million that ACC-APG contracting personnel awarded in FYs 2009 and 2010.

**Findings:** ACC-APG personnel adequately justified contracts as sole source for 28 of the 30 noncompetitive contracts reviewed. However, contracting personnel did not provide adequate justification for the noncompetitive award of two contracts with an obligated value of about \$29 million. ACC-APG contracting personnel did

not approve the justification and approval for one contract until 462 days after it was awarded because of funding and organizational changes. For the other contract, ACC-APG contracting personnel could not produce evidence that a justification and approval was completed or that market research was adequately documented. Additionally, ACC-APG contracting personnel did not include one or both of the statements required by the FAR in nine contract synopses of a noncompetitive award to ensure that interested sources were aware of actions they can take to compete for the contract award.

**Result:** DoD IG recommended that the ACC-APG executive director issue guidance establishing the number of days in which a justification and approval must be approved within when a contract is awarded or require the contracting officer to document the reason(s) for the delay. DoD IG also recommended the ACC-APG executive director issue a memorandum emphasizing the importance of completing a justification and approval in accordance with FAR 6.303, adequately performing and documenting market research in accordance with FAR part 10, including the statements required by FAR 5.207 and reviewing the performance of the contracting officer who awarded a noncompetitive contract to determine whether administrative action is warranted. The Army agreed with the recommendations.

**Report No. DODIG-2013-003**

#### Better Processes Needed to Appropriately Justify and Document NAVSUP WSS, Philadelphia Site Sole-Source Awards

**Overview:** Title 10, U.S.C., Section 2304 requires contracting officers to promote and provide for full and open competition when soliciting offers and awarding contracts. Promoting competition in federal contracting presents the opportunity for significant cost savings. In addition, competitive contracts can help improve contractor performance, prevent fraud and promote accountability. Contracting officers may use procedures other than full and open competition under certain circumstances. However, each contract awarded without providing for full and open competition must conform to policies and procedures in the Federal Acquisition Regulation.

“ACC-APG personnel adequately justified contracts as sole source for 28 of the 30 noncompetitive contracts reviewed.”

# Core Mission Areas

“DLA Troop Support Construction and Equipment contract management personnel did not have adequate purchase review and approval procedures in place.”



DoD IG reviewed NAVSUP sole-source contracts.

**Findings:** Naval Supply Systems Command Weapons System Support-Philadelphia contracting personnel obtained approval from the appropriate personnel in the time frames required for 31 of 32 justification and approvals for other than full and open competition. However, personnel did not properly justify the award of 13 sole-source contracts because personnel did not:

- Explain why there was only one capable source.
- Address all content requirements within 31 of the 32 justification and approvals because personnel relied on a standardized justification and approval template and omitted required information.
- Obtain legal reviews before approval of 23 of the 32 justification and approvals because internal guidance improperly limited when they were required.
- Adequately document the market research conducted or the results for 29 of 32 contracts because technical personnel did not document the steps taken when reviewing internal and external databases and contracting personnel relied on the sole-source determinations provided.
- Follow some synopsis requirements for the 27 proposed contracts that required a synopsis because contracting personnel were unaware of a few of the requirements.

As a result, improper sole-source awards could occur. Personnel could not make informed decisions that the proposed contractors were the sole source. Also, interested sources were not aware of future contracting opportunities.

**Result:** DoD IG recommended the Naval Supply Systems Command commander update justification and approval training and templates and require personnel to fully address justification and approval content requirements to adequately justify noncompetitive contracts. Additionally, DoD IG recommended requiring personnel to include adequate documentation of market research in the contract files to support that only one source can meet government requirements for a given procurement. Command comments were responsive.

**Report No. DODIG-2013-034**

**Defense Logistics Agency Could Improve Its Oversight of the Maintenance, Repair, and Operations Prime Vendor Contract for Korea** 

**Overview:** At the request of the chairman, House of Representatives Subcommittee on National Security and Foreign Affairs, Committee on Oversight and Government Reform, DoD IG determined whether the maintenance, repair and operations prime vendor contractor received volume discount savings or rebates for items associated with the contract and whether the prime vendor credited these savings and rebates to DoD. The Defense Logistics Agency changed its business practices and entered into long-term prime vendor sustainment contracts with various suppliers to provide materials needed to support the maintenance, repair and operations for DoD facilities. Under the prime vendor concept, a single commercial distributor serves as the major provider of products or services to various federal customers within a geographical region at discounted commercial prices. The maintenance, repair and operations prime vendor contracts are primarily long-term, fixed-price contracts with economic price adjustment or indefinite-delivery/indefinite-quantity delivery orders and generally, including options, span five years. The DoD prime vendor program provides items quickly and meets customers' needs at discounted commercial prices, which helps reduce DoD's overall maintenance supply costs.

**Findings:** The prime vendor obtained volume discounts through price competition on items purchased for DoD and credited those discounts to DoD. However, the prime vendor did not seek rebates related to the contract purchases and returned those rebates it received in error. DLA Troop Support Construction and Equipment Directorate contract management personnel did not consistently monitor airfreight charges and fixed markup fees that the prime vendor charged to DoD for purchases made under the contract. Specifically, DLA Troop Support Construction and Equipment Directorate contract management personnel did not review and approve delivery orders with airfreight charges or verify that delivery orders with fixed-fee markup pricing complied with the maximum contractually established markup rate. DLA Troop Support Construction and Equipment Directorate contract management personnel did not have ad-

equate purchase review and approval procedures in place. The prime vendor charged questionable costs of \$200,224 for purchases the prime vendor made between May 10, 2010, and Aug. 1, 2011. The total amount of questioned costs may be greater if all the delivery orders that occurred on the seven-year contract were reviewed.

**Result:** Among other recommendations, DoD IG recommended that the DLA Troop Support director establish procedures to identify, analyze and determine if the delivery orders that include airfreight and fixed markup fees are allowable. The DLA Troop Support director agreed with the recommendations.

**Report No. DODIG-2013-006**



#### **Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement**

**Overview:** Multiple award contracts are a group of indefinite-delivery/indefinite-quantity contracts used by DoD customers to obtain services. Specifically, all indefinite-delivery/indefinite-quantity contractors with contracts in the group are to be given fair opportunity to compete for award of a task order. MACs enable the government to procure services more quickly using streamlined acquisition procedures while taking advantage of competition to obtain optimum prices.

**Findings:** Contracting officials at Specialty Center Acquisition, NAVFAC generally provided contractors a fair opportunity to compete for task orders awarded under MAC. However, contracting officials limited competition for two task orders by not sending the solicitation or amended solicitation to all contractors under the MAC, because they believed they had the authority to exclude contractors from receiving the solicitation. In addition, contracting officials did not adequately determine price reasonableness on six task orders awarded, which had only one proposal valued at \$45.6 million and nine modifications with price increases valued at \$3.8 million, because they relied on unsupported, independent government cost estimates to make their determinations. As a result, NAVFAC did not have assurance that the services acquired resulted in fair and reasonable prices for DoD. Contracting officer representatives at Naval Facilities Engineering Service Center did not

perform adequate surveillance on 18 task orders valued at \$100.2 million. Contracting officers and CORs did not understand quality assurance surveillance plan requirements; the contracting officers misinterpreted the internal contract administration policy; and the CORs relied on unauthorized NAVFAC personnel to perform surveillance functions, including reviewing invoices which included unsupported other direct costs, totaling \$556,590. As a result, Specialty Center Acquisition, NAVFAC did not have assurance that the contracted services were received.

**Result:** DoD IG recommended the Specialty Center Acquisition, NAVFAC director verify that all contractors under a MAC receive the Request for Task Order Proposal, even if the request is amended to incorporate changes and verify that the independent government cost estimates and fair and reasonable price determinations are adequately supported. Additionally, Specialty Center Acquisition, NAVFAC director should coordinate with the Naval Facilities Engineering Service Center commander to require that contracting officers appoint a COR for each task order and require CORs to document surveillance performed and report progress to the contracting officer. Management agreed with the recommendations.

**Report No. DODIG-2013-007**

#### **Contracting Improvements Still Needed in DoD's FY 2011 Purchases Made Through the Department of Veteran Affairs**



**Overview:** Interagency acquisition is how an agency obtains needed supplies or services through another agency's contract, the acquisition assistance of another agency or both. Interagency acquisitions are commonly conducted through indefinite-delivery contracts, such as task and delivery-order contracts. The indefinite-delivery contracts used most frequently to support interagency acquisitions are federal supply schedules, government-wide acquisition contracts and multiagency contracts. The two types of interagency acquisitions are direct and assisted. In a direct interagency acquisition, the requesting agency places an order against the servicing agency's indefinite-delivery contract. The servicing agency manages the indefinite-delivery contract but does not participate in the placement of an order. In an assisted acquisi-

“DoD contracting officials generally complied with policies and procedures when issuing direct interagency acquisitions through Veterans Affairs.”

# Core Mission Areas

tion, the servicing agency and requesting agency enter into an interagency agreement where the servicing agency performs acquisition activities on the requesting agency's behalf. The servicing agency is responsible for awarding contracts, task orders or delivery orders and for appointing contracting officer representatives.

**Findings:** DoD contracting officials generally complied with policies and procedures when issuing direct interagency acquisitions through Veterans Affairs. Specifically, DoD contracting officers defined requirements and used funds appropriately when awarding contract orders on all 20 direct interagency acquisitions, competed five orders, justified 13 sole-source orders and documented receipt of products for 18 orders. However, DoD contracting officers did not de-obligate unused funds of \$293,625 for one order and obtain a refund of \$44,952 on another order for products not delivered, because the contracting officer (1) did not track funds and items delivered properly, (2) did not determine whether the prices paid for 131 open market products (products not on vendors VA federal supply schedules) valued at \$5.3 million on five orders were fair and reasonable, because they relied on information in vendor quotes and pricelists without verifying that the products were on the vendors VA federal supply schedules, (3) did not request price reductions for six orders valued at \$2.7 million, because the vendor did not provide discounts in the past or contracting officials were not aware that they were required to seek price reductions and (4) did not support best procurement-approach determinations for four orders valued at \$9.1 million. As a result, DoD might not have always received the best value when using VA for direct interagency acquisitions.

**Result:** DoD IG recommended the U.S. Army Medical Research Acquisition Activity director, the North Atlantic Regional Contracting Office director, the Naval Medical Logistics Command commander, the Contracting Squadron director of contracting, 502 Contracting Squadron commander and the 802 Contracting Squadron commander provide refresher training to their contracting officers, ensuring the training focuses on the problems identified in the report. Additionally, the North Atlantic Regional Contract Office contracting officer needed to de-obligate funds in the amount of \$293,625, and

the U.S. Army Medical Research Acquisition Activity contracting officer should seek a refund of \$44,952 for products not delivered.

**Report No. DODIG-2013-028**

## DoD Does Not Have Visibility Over the Use of Funds Provided to the Department of Energy

**Overview:** DoD IG determined whether the memorandum of agreement and corrective action plan between DoD and the Department of Energy addressed the findings in DoD IG report D-2011-021, titled, "More DoD Oversight Needed for Purchases Made Through the Department of Energy," dated Dec. 3, 2010. DoD IG also determined whether DoD personnel complied with the roles and responsibilities outlined in the MOA.

**Findings:** To address conditions identified in the previous audit report, Defense Procurement and Acquisition Policy and DOE officials agreed to corrective actions in the MOA and corrective action plan. However, DPAP officials did not fully implement or verify compliance with the MOA and corrective action plan. Specifically, DPAP officials did not develop a standardized reporting system to allow DoD officials to track funds provided to DOE, to issue guidance that required technical project managers performing oversight to meet standard contracting officer representative training requirements, or formally collaborate or meet quarterly with DOE. These conditions occurred because DPAP officials did not place a high priority on implementing the terms of the MOA and corrective action plan. As a result, DoD did not have visibility of approximately \$7.3 billion in funds provided to DOE from FY 2010 through FY 2012. DoD IG also determined that Air Force and Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer officials did not perform a review of a potential Antideficiency Act violation, as recommended in DoD IG report D-2011-021.

**Result:** DoD IG recommended that the director, DPAP:

- Direct DoD components to perform a review to determine whether they are complying with the MOA and defense policies issued as a result of the MOA.
- Coordinate with the USD(C) to develop a method for gathering data for DoD-related projects with DOE.

- Implement the remaining action items in the corrective action plan.
- Establish a quality control process to enforce the requirement for DoD components to provide monthly obligation reports for funds provided to DOE and maintain them in an auditable system.

DoD IG recommended that the USD(C):

- Require DoD components to use a standard funding document number and ensure the first six positions are the DoD activity address code for the funding agency.
- Require DoD components to provide the USD(C) with copies of all funding documents sent to DOE.
- Instruct the Air Force to initiate a review of the potential Antideficiency Act violation.

The DPAP director and the USD(C) generally agreed with the recommendations.

**Report No. DODIG-2013-046**



### Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge

**Overview:** Central issue facilities dispense organizational clothing and individual equipment to civilians and contractor employees from all services and defense agencies. Civilians and contractor employees receive organizational clothing and individual equipment at the central issue facilities based on their mission and theater of deployment. At a minimum, the central issue facilities provide equipment, such as duffel bags, body armor, helmets and chemical biological masks. Additional items issued to civilians and some contractor employees (such as linguists and law enforcement officials) include clothing, safety glasses and sleeping bags. On average, civilians receive items valued at about \$5,300, and contractor employees receive items valued at about \$3,400. DoD IG determined whether the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics established a working group and developed and implemented procedures to recover organizational clothing and individual equipment from civilians and contractor employees, as recommended in DoD IG report D-2010-069, titled, “Central Issue Facility at Fort Benning and Related Army Policies,” dated June 21, 2010.

**Findings:** The Office of the Under Secretary of Defense for Acquisition, Technology and Logistics officials did not establish a working group or develop and implement procedures to recover organizational clothing and individual equipment from civilians and contractor employees. Instead, Office of the Assistant Secretary of Defense for Logistics and Materiel Readiness officials discussed the prior report recommendations during existing working group meetings and agreed that the Army would serve as the lead agent and develop and implement corrective actions. However, neither the discussion nor the decision to delegate the responsibility to the Army was documented. In addition, Defense Procurement and Acquisition Policy officials did not review contracting policies for necessary changes. This occurred because Defense Procurement and Acquisition Policy officials were waiting for the results from the working group before changing contracting policies. Army officials from Army G-4, Army Materiel Command, and the central issue facilities at Fort Benning and Camp Atterbury implemented some controls to mitigate risks associated with recovery of organizational clothing and individual equipment. Despite these efforts to improve controls, many challenges related to the recovery of organizational clothing and individual equipment from civilians and contractor employees still existed and resulted in increased costs to replace unreturned items, as well as potential loss of funds from uncollected debt. DoD IG identified approximately \$20 million in unreturned items issued to civilian and contractor employees who deployed from Fort Benning and Camp Atterbury between October 2006 and May 2012. Improved procedures to recover organizational clothing and individual equipment from employees should reduce costs for replacing unreturned items and decrease the potential loss of funds from uncollected debt.

**Result:** DoD IG recommended that the under secretary of defense for acquisition, technology and logistics, implement corrective actions to address the recommendations in report D-2010-069 and develop a time-phased plan with measurable goals and metrics regarding the implementation of recommendations in that report. Management agreed with the recommendations.

**Report No. DODIG-2013-050**

“DoD IG identified approximately \$20 million in unreturned items issued to civilian and contractor employees...”

# Core Mission Areas

“U.S. Transportation Command was established in 1987 and is the single manager of the U.S. global defense transportation system.”



## Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement

**Overview:** U.S. Transportation Command was established in 1987 and is the single manager of the U.S. global defense transportation system. USTRANSCOM coordinates people and transportation assets to allow the United States to project and sustain forces, when and where they are needed, for as long as necessary. USTRANSCOM also coordinates missions worldwide using both military and commercial sea, air and land transportation resources in response to DoD's warfighting commanders' needs across the full spectrum of support, ranging from humanitarian operations to military contingencies. Since FY 2009, USTRANSCOM contracting officials awarded indefinite-delivery/indefinite-quantity contracts in support of the Afghanistan Rotary Wing Transport Program. The contractors provide medium, heavy and super heavy lift helicopters to support rotary wing transport of supplies, U.S. mail and passengers throughout Afghanistan.

**Findings:** USTRANSCOM did not establish adequate surveillance controls for the 28 task orders supporting the transportation of supplies, mail and passengers in Afghanistan. Specifically, the USTRANSCOM contracting officer did not perform periodic reviews of the contracting officer representatives' files or request the COR files be sent when the CORs completed their tours of duty. The contracting officer did not perform the reviews or request the COR files because the COR file documentation was located in an austere location, and the contracting officer wanted to leave the documentation onsite to maintain continuity among the COR rotations. Additionally, the contracting officer did not establish effective surveillance elements and methodologies necessary for CORs to determine that services met contract requirements when the contracting officer developed quality assurance surveillance plans for each of the contracts. The contracting officer stated that this occurred because of unintentionally omitting the required surveillance elements from quality assurance surveillance plans. As a result, the contracting officer did not perform oversight to verify whether the CORs performed effective contract surveillance and did not have quality assurance

surveillance plan requirements established for CORs to verify that contractors complied with contractual requirements for transport services worth approximately \$1.5 billion as of September 2012. The inadequate controls increased the risk that the government would pay for services not rendered.

**Result:** DoD IG recommended that the contracting officer require CORs to provide their surveillance files to the contracting officer when completing their tours of duty, assess the adequacy of surveillance measures used by the CORs in Afghanistan, create and implement standard operating procedures to establish the methodology for monitoring and validating fuel purchases, update and revise the quality assurance surveillance plans to include all contract terms requiring surveillance and the method of surveillance, and perform a resource analysis to determine the number of CORs needed in Afghanistan.

**Report No. DODIG-2013-037**

## U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan



**Overview:** The U.S. Army Corps of Engineers mission is to provide vital public engineering services to strengthen our Nation's security, energize the economy and reduce risks from disasters. USACE is the Army's construction agent for the design or construction execution responsibilities associated with military construction program facilities and is the lead construction agent supporting the U.S. Central Command area of responsibility, including Afghanistan. As the lead construction agent, USACE is responsible for performing oversight of MILCON contractors and conducting contract administration. USACE Afghanistan Engineering District-North, located in Kabul, Afghanistan, administers construction projects at Bagram Airfield, Afghanistan.

**Findings:** USACE Afghanistan Engineering District-North quality assurance personnel did not properly monitor contractor performance and fulfill quality assurance responsibilities for the four military construction projects reviewed at Bagram Airfield, which were valued at \$49.6 million. Specifically, QA personnel did not develop supplemental project QA plans, approve contractors' quality control plans before contrac-

tors began construction, maintain documentation of QA personnel surveillance activities, follow responsibilities in the contracting officer's designation memoranda and request technical specialists to perform technical inspections. In addition, QA personnel relied on the Logistics Civil Augmentation Program contractor to perform infrequent technical inspections and relied on their own experience to identify construction deficiencies. These conditions occurred because USACE Afghanistan Engineering District-North officials did not provide sufficient oversight of QA personnel. For example, QA personnel stated they were not aware of their responsibilities because USACE Afghanistan Engineering District-North officials did not provide enough guidance or training to QA personnel operating in a contingency environment. Further, QA personnel stated they were either unaware of, did not see a need for, did not have time to follow, or did not have proper personnel to follow QA guidance. As a result, USACE did not have reasonable assurance that contractors' quality control programs were effective and the four MILCON projects met or would meet contract requirements.

**Result:** Among other recommendations, DoD IG recommended that the USACE Afghanistan Engineering District-North commander verify that project engineers develop supplemental project QA plans and approve contractor quality control plans before contractors begin construction; direct contracting officers to verify the performance of requirements in their designation memoranda; access the availability of technical specialists and verify the use of technical specialists to support the conduct of technical inspections; and conduct training for QA personnel on QA surveillance requirements in a contingency environment. USACE agreed with recommendations.

**Report No. DODIG-2013-024**

## Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces

**Overview:** The Air Force Center for Engineering and the Environment was a field operating agency for the Air Force Civil Engineer. AFCEE's mission was to provide integrated engineering

and environmental management, execution and technical services that optimize the Air Force and joint capabilities through sustainable installations. According to AFCEE, they have provided construction services in Afghanistan since 2006 and have executed more than 160 task orders valued at \$2.3 billion for its customers, such as the Combined Security Transition Command-Afghanistan and U.S. Forces-Afghanistan. DoD IG determined whether the AFCEE provided effective oversight of construction projects in Afghanistan.

**Findings:** AFCEE Contingency Construction Division officials did not provide effective oversight of military construction projects in Afghanistan. Specifically, AFCEE officials did not develop a formal process to monitor, assess and document the quality of work performed by contractor personnel for four projects valued at \$36.9 million. AFCEE officials stated that this occurred because they relied completely on the technical expertise of their contractor personnel. In addition, AFCEE officials stated the Federal Acquisition Regulation requirement for a quality assurance surveillance plan did not apply to architect-engineer services contracts. As a result, AFCEE's process for developing and reviewing contract requirements design was not adequate to prevent (1) conflicting electrical standards from being cited in one contract's statement of work and statement of requirement and (2) incorrect fire protection standards from being cited in two contracts' statements of requirement used during construction. In addition, AECOM Technical Services, Inc. personnel at Camps Bastion and Leatherneck did not identify significant deficient work performed. The deficiencies led to serious increased hazards to the life and safety of coalition forces who occupy two of the four facilities reviewed at Camps Bastion and Leatherneck and contributed to more than a six-month delay in government acceptance of one facility. DoD IG notified AFCEE officials of those deficiencies during a site visit to Afghanistan in May 2012 and again during meetings held in June 2012. According to Air Force Civil Engineer Center officials, all electrical deficiencies were corrected as of October 2012. In addition, Air Force Civil Engineer Center officials stated that additional strobe lights were installed in one facility and the fire department conducted its



DoD IG reviewed military construction projects in Afghanistan.

# Core Mission Areas



DoD IG identified electrical hazards during a site visit in Afghanistan.

official fire alarm and functionality test on that same date and found no issues. AFCEE officials also stated that they planned to install additional egress doors on the second floor of one facility; however, they did not plan to install a fire suppression system in either facility.

**Result:** The Air Force Civil Engineer Center director should (1) develop quality assurance surveillance plans for the Title I, Title II, and Global Engineering, Integration and Technical Assistance contract task orders and (2) develop procedures to verify contracting officer representatives conduct and document appropriate surveillance of contractors as called for in the quality assurance surveillance plan to ensure that work performed is carried out in accordance with the task order requirements. The U.S. Forces-Afghanistan commander and the AFCEE director should assess the life and safety hazards identified and determine the appropriate actions needed to correct the electrical hazards and fire safety and emergency egress deficiencies.

**Report No. DODIG-2013-052**



## Air Force Needs Better Processes to Appropriately Justify and Manage Cost-Reimbursable Contracts

**Overview:** Section 864 of the FY 2009 National Defense Authorization Act, Regulation on the Use of Cost Reimbursement Contracts, requires Federal Acquisition Regulation revisions regarding the documentation of decisions and approvals necessary before issuance of other than firm-fixed-price contracts. Federal Acquisition Circular 2005-50 issued March 16, 2011, implemented the required revisions on an interim basis. DoD IG determined whether Air Force complied with interim FAR revisions on the use of cost-reimbursable contracts. This was a first in a series of reports as DoD IG plans to issue (1) separate reports for each service, (2) one report to include the Missile Defense Agency and the Defense Microelectronics Activity and (3) one summary report.

**Findings:** Of the 156 contracts reviewed, valued at about \$10.5 billion, Air Force contracting personnel did not consistently implement the interim rule for 75 contracts, valued at about \$8.8 billion. Air Force contracting personnel issued contracts that did not follow the interim rule because they were unaware of the rule, assumed it

did not apply to task or delivery orders when the basic contract was issued before the rule or did not document actions taken to conform to the rule. As a result, Air Force contracting personnel may increase the Air Force's risk because cost reimbursable contracts provide less incentive for contractors to control costs. DoD IG identified internal control weaknesses for implementing the interim rule changes regarding the use of cost-reimbursable contracts.

**Result:** DoD IG recommended that the deputy assistant secretary of the Air Force (contracting) emphasize the FAR revisions to contracting personnel, consider issuing more hybrid contracts, establish better communication channels to identify areas to transition to firm-fixed-price contracts and require contracting officers to document instances where they maintained oversight functions. Additionally, DoD IG recommended that the Defense Procurement and Acquisition Policy director initiate a process to reduce the potential contradiction between Defense Federal Acquisition Regulation Supplement 242.75 and FAR revisions. DoD IG recommended that the Warner Robins Air Force Sustainment Center director of contracting adjust templates to include approval above the contracting officer. Management generally agreed with the recommendations.

**Report No. DODIG-2012-059**

## TRICARE Managed Care Support Contractor Program Integrity Units Met Contract Requirements



**Overview:** The Program Integrity Office at TRICARE Management Activity manages anti-fraud and abuse activities to protect benefit dollars and safeguard eligible beneficiaries. The office's responsibilities include developing and executing anti-fraud/abuse policies and procedures; monitoring and providing oversight of contractor program integrity activities; and developing cases for criminal fraud/abuse prosecutions and civil lawsuits. TMA Program Integrity Office personnel are responsible for performing site visits to the managed care support contractors, who administer purchased care medical services for TMA. During these visits, the managed care support contractor program integrity units are assessed against the contract requirements.

**Findings/Result:** DoD IG determined that the managed care support contractors had dedicated program integrity functions that met the TRICARE operations manual and government contractual requirements for preventing and detecting fraud.

**Report No. DODIG-2013-029**



#### Defense Advanced Research Projects Agency's Ethics Program Met Federal Government Standards

**Overview:** DoD IG determined whether Defense Advanced Research Projects Agency's ethics policies and program implementation were consistent with federal government conflict-of-interest mitigation standards and whether DARPA personnel were properly trained and following their policies.

**Findings/Result:** The DARPA ethics policies and program implementation were consistent with federal government conflict-of-interest mitigation standards, and the DARPA personnel DoD IG selected for review were properly trained and followed DARPA policies. In the last three years, DARPA officials issued standard ethics guidance and operating procedures that implemented ethics laws and regulations. The only DARPA ethics rule change was to the broad agency announcement process and the recusal rules interpretation for employees covered by the Intergovernmental Personnel Act. DARPA's ethics program appropriately mitigated the potential for conflicts-of-interest. In addition, DARPA's ethics training followed federal government ethics rules and regulations. For its annual training, the DARPA deputy designated agency ethics official used the ethics training material developed each year by the DoD Standards of Conduct Office. Finally, DoD IG determined that the program management and contract award process participation of the DARPA employees who formerly worked for BAE Systems or its subsidiary, AlphaTech, did not create a conflict-of-interest between the two entities. In addition, DARPA did not award BAE Systems contracts as a result of undue influence from former BAE employees in DARPA's Information Innovation Office.

**Report No. DODIG-2013-039**

#### Improvements Needed in Managing Maintenance Contracts in Korea for Air Force Aircraft



**Overview:** DoD IG determined whether Air Force aircraft maintenance contracts in Korea were effectively administered. During FYs 2010 and 2011, the Defense Contract Management Agency-Korea administered six contracts awarded to Korean Air Lines in support of depot maintenance for Air Force A-10, F-15, F-16 and HH-60 aircraft. The contractor billed \$45.7 million for maintenance services during FYs 2010 and 2011.

**Findings/Result:** The report is FOUO.

**Report No. DODIG-2013-049**

#### Audit of the F-35 Lightning II Autonomic Logistics Information System



**Overview:** The overall objective of the audit was to evaluate the management of the Autonomic Logistics Information System. DoD IG also performed follow-up on recommendations made in DoD IG report 07-INTEL-05, titled, "Audit of Controls Over Protecting and Releasing Special Program Information to the Joint Strike Fighter Foreign Partners," dated Feb. 9, 2007.

**Findings/Result:** This report is classified.

**Report No. DODIG-2013-031**

## Financial Management

The Department cannot yet produce financial statements that are auditable, and management cannot yet provide sufficient assurance of effective internal controls. The Financial Improvement and Audit Readiness initiative is guiding the Department's effort to improve financial management and achieve audit readiness for key financial statements by 2014 and for all statements by 2017. It is important that the Department is committed to improving its financial management efforts to ensure it is a good steward of the taxpayer dollars and can successfully meet national security objectives.

DoD IG continues to focus its oversight efforts on three aspects of the Department's efforts for achieving auditability including financial reporting, audit readiness efforts and development and implementation of the Department's enterprise resource planning systems. During this reporting period DoD IG issued various financial



DoD IG reviewed AF aircraft maintenance contracts in Korea.

# Core Mission Areas

statement opinions including the Department of Defense principal financial statements. This year, the same 13 material weaknesses still exist from the previous year:

- Financial management systems.
- Fund balance with treasury.
- Accounts receivable.
- Inventory.
- Operating materials and supplies.
- General property, plant and equipment.
- Government property in possession of contractors.
- Accounts payable.
- Environmental liabilities.
- Statement of net cost.
- Intragovernmental eliminations.
- Accounting entries.
- Reconciliation of net cost of operations to budget.

Other financial oversight focused on DoD development and implementation of ERP systems, examinations of existence and completeness of assets, controls over cash and other monetary assets, DoD efforts to correct the causes of Antideficiency Act violations concerning military personnel accounts and compliance with Improper Payments Elimination and Recovery Act requirements.



## Army Business Systems Information Technology Strategy Needs Improvement

**Overview:** For more than two decades, Congress has asked DoD to improve its systems of accounting, financial management and internal controls to produce reliable financial information and to deter fraud, waste and abuse of government resources. Enterprise resource planning systems are commercial software packages containing functional modules that integrate all the information flowing through an entity. Individual modules contain the business processes needed to complete their intended function. The Army Office of Business Transformation is assisting the Army in transforming its business operations to more effectively and efficiently use national resources. The Army Business Systems Information Technology Strategy serves as the Army's roadmap for compiling and detailing their enterprise architecture. The strategy focuses on the Army's four core enterprise resource planning systems including the Global Combat

Support System-Army, General Fund Enterprise Business System, Integrated Personnel and Pay System-Army and Logistics Modernization Program. For this audit, DoD IG determined whether the strategy and its implementation provided adequate governance and program management of enterprise resource planning systems.

**Findings:** Army OBT officials developed and implemented a strategy that was not comprehensive enough for adequate governance and management of its enterprise resource planning systems. The strategy did not include specific implementation milestones and performance measures for accomplishing the stated goals, including a plan for using ERP capabilities. Nor did it clearly define the Army Enterprise Systems Integration Program's ERP integration role or milestones. This occurred because OBT officials focused on near-term milestones but did not develop a comprehensive plan outlining milestones and performance measures for all planning periods. In addition, their strategy did not focus on eliminating legacy system interfaces and incorporating additional functionalities into the enterprise resource planning systems. Finally, OBT officials did not decide on the scope and future of the Army Enterprise Systems Integration Program. Although OBT officials included 25 implementation tasks in the strategy, with due dates of May 2011 and August 2011, the Army did not complete 16 of these tasks as of March 2012. This occurred because OBT officials did not adequately monitor the development and completion of the implementation tasks. Without a comprehensive strategy guiding the successful implementation of its enterprise resource planning systems, with an estimated life-cycle cost of \$10.1 billion, Army management may not have the timely, accurate and complete information it needs for decision-making. In addition, the Army risks not being able to achieve an auditable Statement of Budgetary Resources by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017.

**Result:** DoD IG recommended that the OBT director coordinate with Army comptroller officials to schedule ERP audits. In addition, the director should:

- Issue an updated strategy to include a plan outlining specific milestones and perfor-

mance measures that the Army is to use to govern and manage ERP implementations and to help achieve the strategy's goals.

- Implement controls to monitor the development and completion of the strategy implementation tasks and milestones.

**Report No. DODIG-2013-045**



### Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level

**Overview:** In FY 2007, Defense Logistics Agency officials combined business system modernization, which included order fulfillment, supply and demand planning, procurement, technical quality and financial capabilities with the customer service management and product data management initiatives to develop the enterprise business system core system. EBS became the enterprise resource planning system solution supporting DLA nonenergy commodity activities. EBS serves as DLA's general ledger system of record for both general fund and working capital fund operations. The Defense Finance and Accounting Service uses EBS financial data to produce DLA financial statements, including the Statement of Budgetary Resources. During FY 2012, DLA processed a majority of the more than \$53.9 billion in DoD budgetary authority using EBS.

**Findings:** EBS program managers did not configure the system to report U.S. Government Standard General Ledger financial data using the Standard Financial Information Structure data standards. Specifically, they did not properly implement 99 business rules, the SFIS posting logic and 41 attributes; establish and update EBS's capability to record and report 241 DoD reporting accounts; or establish EBS's capability to generate trial balance data and report the data to financial systems. This occurred because DoD managers did not initially establish the stringent validation and certification procedures implementing SFIS requirements correctly and DLA did not prioritize its funding to ensure that EBS complied with the SFIS requirements. As a result, DoD managers approved EBS funding and did not require SFIS implementation before developing and deploying additional EBS capabilities. As of Sept. 30, 2012, DLA obligated more than \$2 billion to develop and deploy an enter-

prise resource planning system that was incapable of providing standardized data for an auditable DoD Statement of Budgetary Resources by FY 2014. In addition, DLA missed opportunities to reduce the more than \$30 million that it pays DFAS annually to perform accounting functions by enhancing EBS functionality.

**Result:** DoD IG recommended the deputy chief management officer and deputy chief financial officer restrict funding until EBS program managers demonstrate that EBS contains all SFIS requirements. After DLA certifies SFIS compliance, DLA should conduct a one-time validation to document that EBS program managers correctly implemented all SFIS requirements and then validate EBS after each subsequent SFIS update. Additionally, DoD managers should extend the validation processes to all DoD ERP systems and publish a definitive listing of business rules needed for FY 2014 financial reporting. DoD IG recommended that the DLA director develop a plan of action and milestones to implement the most recent SFIS requirements, an alternate chart of accounts and the functionality to internally crosswalk to the new alternate chart of accounts. The director should also develop procedures to update EBS for changes in the DoD standard chart of accounts. Comments from the DoD deputy chief management officer, deputy chief financial officer and the DLA deputy director were generally responsive.

**Report No. DODIG-2013-057**

### Accountability Was Missing for Government Property Procured on the Army's Services Contract for Logistics Support of Stryker Vehicles



**Overview:** DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles. The Project Management Office for Stryker Brigade Combat Team entered into the contract with General Dynamics Land Systems with a singular focus to achieve an operational readiness rate goal of 90 percent and actually achieved a readiness rate in excess of 96 percent. This report is the second in a series of three reports and addresses controls over government property (Army-owned Stryker inventory).

**Findings:** PMO Stryker officials did not properly account for government property procured

“...DLA missed opportunities to reduce the more than \$30 million that it pays DFAS annually to perform accounting functions by enhancing EBS functionality.”

# Core Mission Areas



DoD IG evaluated contracts related to the Stryker Infantry Carrier Vehicle.

on the cost-reimbursable services contract for logistics support of Stryker vehicles. DoD IG identified 19,365 different items of Stryker inventory (spare and repair parts) being managed by General Dynamics Land Systems at a government-owned, contractor-operated warehouse. The inventory had not been assigned a value and recorded in appropriate Army property accountability and financial accounting systems. At request, General Dynamics Land Systems assigned a value to the Stryker inventory of about \$892.3 million. Stryker inventory was not properly accounted for because PMO Stryker inappropriately treated the inventory as contractor-acquired property, while General Dynamics Land Systems considered the inventory as government property after it was delivered to the government-owned, contractor-operated warehouse. Consequently, neither PMO Stryker nor General Dynamics Land Systems accounted for the Stryker inventory in appropriate property management systems. Contractor-acquired property business rules for cost-reimbursable contracts were generally designed to address "property acquired, fabricated or otherwise provided by the contractor" that would eventually be delivered to the government as part of a higher-level end item, not as used by the Army on its logistics services contract with no end-item deliverable. While Stryker inventory consumed during the contract periods of performance for the logistics services contract could possibly be considered contractor-acquired property, most of the inventory identified in this report was from prior contract periods and needed to be delivered and accepted by the Army as government property. As a result of incorrectly classifying Stryker inventory as contractor-acquired property, PMO Stryker did not:

- Comply with multiple DoD and Army property regulations designed to provide good stewardship and fiduciary responsibility of government property, support the Army goal of creating auditable financial statements and correctly use the Army's system that is designed to integrate logistics and financial operations.
- Implement a comprehensive inventory management improvement plan that addressed over-forecasting, total asset visibility, excess inventory, economic retention

requirements and aggressive potential reutilization and disposal reviews to meet the intent of Public Law 111-84, National Defense Authorization Act for FY 2010, Section 328, Improvement of Inventory Management Practices, Oct. 28, 2009.

The review of 21 high-dollar parts, valued at \$85.1 million, showed that 16 parts had excess Stryker inventory of \$72.7 million that could be either disposed of (\$58 million) or potentially used on other contracts (\$14.7 million). General Dynamics Land Systems initiated action to dispose of different obsolete parts identified during our review. During our visit to the government-owned, contractor-operated warehouse in Auburn, Wash., DoD IG identified 170 empty engine containers, valued at \$1.1 million, that were purchased to store an engine that was no longer being procured. General Dynamics Land Systems determined that the empty containers could be used to store a newer engine, thereby reducing future requirements.

**Result:** Management comments were responsive to the recommendations, and management was taking action to address Stryker inventory acceptance, accountability and financial reporting issues. Among other recommendations, the Defense Procurement and Acquisition Policy director working with the assistant secretary of defense for logistics and materiel readiness, agreed to issue guidance during the second quarter of FY 2013 that clarifies (1) the proper use of contractor-acquired property business rules specifically for logistics services contracts with no end-item deliverables and (2) how to properly account for inventory on these contracts that is not consumed during the contract period of performance. Additionally, the assistant secretary of the Army (acquisition, logistics, and technology), with support from the assistant secretary of the Army (financial management and comptroller), established a multifunctional support team to assist PMO Stryker in properly valuing and recording Stryker inventory. The Ground Combat Systems program executive officer agreed that the Stryker inventory should be delivered and accepted on a contract line item, properly valued, recorded in an Army property accountability system, and stratified and classified in the proper logistics and financial accounts. Also, Ground Combat Systems PEO will

require the PMO Stryker to implement a comprehensive inventory management improvement plan that addresses overforecasting, total asset visibility, excess inventory and economic retention requirements and aggressive potential reutilization and disposal reviews.

**Report No. DODIG-2013-025**



#### DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain

**Overview:** The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer submitted proposals for FYs 2012 and 2013 to the House and Senate Appropriations Committees that requested the authority to extend 2 percent of each military personnel appropriation for obligation for an additional year. USD(C)/CFO personnel stated in their proposal that this would reduce the rate of military personnel Antideficiency Act violations by allowing the military departments more flexibility for unidentified or underestimated requirements that occurred after a MILPERS appropriation was no longer available for new obligations. As a result of interest in this request, Section 8109 of the Consolidated Appropriations Act, 2012, required DoD IG to conduct a review of ADA violations and their causes in DoD MILPERS accounts.

**Findings:** The military departments were generally effective in implementing and sustaining corrective actions for the nine MILPERS ADA violations, totaling \$541.9 million, reported since Oct. 1, 2002. Specifically, the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD and the military department's assistant secretaries for financial management and comptroller personnel provided adequate support to substantiate that 36 of 44 corrective actions were implemented and sustained. However, in four of the nine violations, Army and Navy Comptroller personnel could not demonstrate that they had completed and sustained eight corrective actions, including three actions still in process. This occurred because DoD had not established sufficient controls to ensure that required corrective actions in MILPERS ADA violation reports were properly implemented, sustained and documented. As a result, DoD remained vulnerable

to future MILPERS ADA violations. Army and Navy comptroller personnel did not assess the adequacy of control procedures established for managing centrally managed allotments. This occurred because Army personnel did not recognize this requirement before FY 2012, and Navy personnel did not understand that the MILPERS accounts were covered by this requirement. As a result, the Army and Navy had limited assurance that controls will prevent future MILPERS ADA violations, and they have not justified the continued operation of MILPERS accounts as centrally managed allotments.

**Result:** DoD IG recommended the under secretary of defense (comptroller)/chief financial officer should require the military departments to report the status of all unimplemented corrective actions, update the DoD Financial Management Regulation to clarify the definition of centrally managed allotments and require the military departments to provide written assurance of their annual review of centrally managed allotments to the USD(C)/CFO. Additionally, the assistant secretaries of the Army, Navy and Air Force (financial management and comptroller) should establish procedures to document corrective actions taken. The Navy should also identify all its centrally managed allotments and begin performing and documenting annual reviews.

**Report No. DODIG-2013-027**

#### Deliveries and Payments for the Defense Advanced GPS Receivers Met Contract Terms, but Property Accountability Needed Improvements



**Overview:** The Defense Advanced GPS Receiver is a hand-held, dual-frequency, GPS device that provides guidance capabilities for vehicular, hand-held receiver, sensor and gun-laying applications. The DAGR features an anti-spoofing module, simultaneous dual-frequency signal reception and situational awareness. It also supports laser range finders and has a minimum of 14 hours continuous battery life.

**Findings:** Rockwell Collins Inc. delivered DAGRs in accordance with contract terms, and the Defense Finance and Accounting Service correctly paid \$27.1 million in DAGR contract transactions reviewed. As a result, the military departments received the DAGRs needed to meet mission requirements. However, person-

“... personnel in the acquisition and logistics offices in each military department did not properly account for 75,727 DAGRs, which were valued at \$114.8 million...”

# Core Mission Areas

nel in the acquisition and logistics offices in each military department did not properly account for 75,727 DAGRs, which were valued at \$114.8 million and stored in a Rockwell Collins Inc. warehouse. Those responsible for the DAGR inventory inappropriately relied on the Rockwell Collins Inc. inventory system. Additionally, a discrepancy of approximately 72,550 DAGRs existed between the number of DAGRs delivered by Rockwell Collins Inc. and the total number of DAGRs reported by the military departments as deployed or stored outside the Rockwell Collins Inc. customer-owned property system. This occurred because acquisition and logistics personnel did not maintain appropriate accountability records. Each military department must properly manage its DAGR inventory to provide optimal support to the warfighter. In addition, the DoD accountability records must be easily retrievable and reconcilable to the number produced. Furthermore, the procurement contracting officer, Air Force, Space and Missile Systems Center, Global Positioning Systems Directorate, inappropriately authorized \$102.4 million in performance-based payments on the DAGR contract. The contract did not meet Federal Acquisition Regulation requirements that would justify authorization of performance-based payments. The procuring contracting officer used performance-based financing on this contract because the previous contract contained performance-based payments and because of the increased DoD emphasis on the use of this type of financing for fixed-price contracts. The use of performance-based payments cost the military departments \$49,788 in processing fees and created an unnecessary administrative burden.

**Result:** DoD IG recommended the military departments record all DAGRs in government property systems and initiate complete inventory reconciliation. In addition, the Air Force, Space and Missile Systems Center, Global Positioning Systems Directorate chief of contracts should provide training for procuring contracting officers about when and how to use performance-based payments.

**Report No. DODIG-2013-018**

## Improvements to Controls Over Cash Are Needed at the Army Disbursing Office at Soto Cano Air Base, Honduras

**Overview:** DoD reported \$1.7 billion in cash and other monetary assets on its DoD agency-wide consolidated balance sheet as of Sept. 30, 2011. The Army General Fund Cash and Other Monetary Assets represented \$1.4 billion (83.1 percent) of the DoD agency-wide cash and other monetary assets amount, of which \$18.7 million was attributable to Army disbursing offices outside the continental United States that did not previously have oversight by an Army financial management center. Army disbursing offices are located in Sinai, Egypt; Soto Cano Air Base, Honduras; and Riyadh, Saudi Arabia. As of Nov. 2, 2011, the Honduras disbursing office cash balance was about \$1.2 million.

**Findings:** Controls at the Honduras disbursing office were not adequate to safeguard, account for, document and report cash. Specifically, the then-deputy disbursing officer did not avoid conflicts of interest and properly complete security container check sheets. The then and former DDOs did not use acceptable storage containers to store cash, conduct semiannual security inspections, maintain records and report a major physical loss of funds. This occurred because deputy disbursing officer appointments were rotated approximately every six months, and the disbursing office did not have adequate standard operating procedures in place. Moreover, the then-DDO stated he was not aware of the requirements and was not trained to perform these duties. The disbursing officer did not prepare the report on foreign currency purchased and improperly revoked and appointed the DDO. This occurred because the disbursing officer did not have procedures in place to ensure that the report was prepared and deputy disbursing officer revocations and appointments were conducted in a timely manner. The Joint Task Force-Bravo commander did not properly complete physical loss of funds investigations. The disbursing office staff stated that the lack of command involvement in appointing investigating officers and the inexperience of the DDOs and their six-month rotation caused the problems with loss of funds investigations. The Joint Task Force-Bravo deputy commander also attributed the problems with the investigations to the lack of continuity

of staff. The U.S. Army Financial Command director did not provide adequate oversight. The director stated that adequate oversight was provided during staff assistance visits. However, none of the visits corrected the control issues identified in this report. As a result, the Army increased its risk of loss due to error, theft and fraud at the Honduras disbursing office.

**Result:** Among other recommendations, DoD IG recommended corrective actions in the areas of separation of duties, training, staff assistance visits and improved procedures, which should improve security of cash. Additionally, senior management should review the actions of officials responsible for providing oversight of the Honduras disbursing office, conducting loss of funds investigations and ensuring adequate procedures are in place.

**Report No. DODIG-2013-051**



#### DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2012

**Overview:** On July 22, 2010, the president signed Public Law 111-204, Improper Payments Elimination and Recovery Act of 2010, which amended the Improper Payments Information Act of 2002. The Office of Management and Budget issued Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, parts I and II, April 14, 2011, as guidance for agencies to implement the requirements of Improper Payments Elimination and Recovery Act of 2010. If an agency did not meet one or more of these requirements, it was not compliant with the Improper Payments Elimination and Recovery Act of 2010, which implemented guidance encouraging agencies' offices of inspectors general to (1) evaluate, as part of its review of these improper payment elements, the accuracy and completeness of agency reporting and (2) evaluate agency performance in reducing and recapturing improper payments. The guidance also encourages agencies' OIGs as part of their reports, to include any recommendations for actions to improve the agencies' performance in reducing improper payments.

**Findings:** The Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer published the FY 2012 Agency Financial Report

showing that DoD met five of the six requirements of the Improper Payments Elimination and Recovery Act of 2010. Specifically, DoD published an Agency Financial Report, conducted program specific risk assessments, published improper payment estimates, published corrective action plans and reported improper pay rates of less than 10 percent. DoD did not meet the established reduction target for one of its eight payment programs, DFAS travel pay. USD(C)/CFO set an FY 2012 reduction target for DFAS travel pay at 3.27 percent in the DoD FY 2011 Agency Financial Report. However, the actual improper payments reported in the DoD FY 2012 Agency Financial Report for DFAS travel pay were 5 percent of total outlays, or \$419.3 million. This occurred because authorizing officials' reviews of travel vouchers were not adequate to prevent improper payments. As a result, improper payments increased in travel, and DoD did not achieve the improper payment reductions intended in the Improper Payments Elimination and Recovery Act of 2010 for DFAS travel pay or fully comply with the Act in FY 2012. The USD(C)/CFO made other program improvements during FY 2012, including using statistical samplings of contract and vendor payments, as well as reviewing additional military health benefit programs that had previously not been included in the Improper Payments Elimination and Recovery Act reviews. However, other challenges remained, including \$12.3 billion in outlays that were not reviewed for improper payments but should have been. As a result, the USD(C)/CFO did not provide accurate improper payment estimates.

**Result:** DoD IG recommended that the under secretary of defense (comptroller)/chief financial officer work with military departments and defense agencies to (1) develop metrics and quality assurance goals as well as programmatic corrective action plans for authorizing/certifying officials who certify vouchers that result in an improper payment, including holding those officials financially liable where appropriate and (2) submit a remediation plan as required by the Improper Payments Elimination and Recovery Act of 2010. Management comments were responsive to the recommendations.

**Report No. DODIG-2013-054**

“The guidance also encourages agencies’ OIGs, as part of their reports, to include any recommendations for actions to improve the agency’s performance in reducing improper payments.”

# Core Mission Areas



DoD IG reviewed at-risk purchase card transactions.

## Defense Hotline Allegations Concerning Contractor-Invoiced Travel for U.S. Army Corps of Engineers' Contracts W912DY-10-D-0014 and W912DY-10-D-0024

**Overview:** A hotline complainant alleged that the contractor profited on travel costs, specifically lodging costs, by negotiating firm-fixed-price task orders using maximum per diem rates for lodging but requiring employees to stay at hotels charging far less than the maximum lodging rates. The complainant alleged that this practice resulted in the contractor's profiting on lodging costs, a process contrary to the contract terms of not allowing profit on travel costs. DoD IG determined whether the contractor's invoiced travel expenditures were allowable, reasonable and allocable for task orders awarded against the U.S. Army Corps of Engineers Worldwide Environmental Remediation Services contracts. DoD IG determined, specifically, whether the contractor charged profit on travel costs, an action that the contracts prohibit.

**Result:** Federal Acquisition Regulation 31.205-46, Travel Costs, allows a contractor to negotiate travel costs at maximum Joint Travel Regulations per diem rates but does not restrict the contractor from incurring less than that rate during the performance of the contract. Section A, paragraph 5, of contract W912DY-10-D-0014 states that travel costs are limited to maximum per diem rates by the Joint Travel Regulations and that profit is not allowed on travel costs. The hotline complainant stated that this language was inserted to stop the contractor from profiting from travel costs. The contracting officer explained that this language was not related to the contractor but was included in the solicitation to ensure that all contractors understood bidding requirements. DoD IG did not substantiate the allegation that the contractor improperly realized profit on lodging costs on the eight task orders awarded under contract W912DY-10-D-0014 and one task order awarded under W912DY-10-D-0024.

**Report No. DODIG-2013-056**

## Improvements Needed to the Purchase Card On-Line System

**Overview:** The director of program development and implementation, Defense Procurement and Acquisition Policy, Office of the Under Secretary

of Defense (Acquisition, Technology and Logistics) requested this audit. DoD IG determined whether Department of Defense approving/billing officials adequately reviewed transactions that the Purchase Card On-Line System referred for being at-risk of noncompliance with applicable laws and criteria. In addition, DoD IG determined whether DoD approving/billing officials adequately reviewed cases in which they identified cards as lost or stolen.

**Findings:** Neither DoD IG nor Defense Procurement and Acquisition Policy could use the Purchase Card On-Line System to assess and determine whether DoD approving/billing officials adequately reviewed 32,690 transactions that the system referred (during the period January through June 2012) as being at-risk of noncompliance with applicable laws and criteria, including lost and stolen cards. This occurred because the automated system:

- Did not contain sufficient capability to automatically retrieve and match the case disposition reviews with the universe of the at-risk government purchase card transactions.
- Was unable to archive case history file data that were maintained in a separate data warehouse.

The automated system cannot be employed for oversight reviews, such as assessments of approving/billing reviews and disposition of at-risk transactions.

**Result:** Because of the information DoD IG requested to conduct the audit, the Defense Procurement and Acquisition Policy became aware the automated system lacked the capability to produce the data needed to complete the assessment of the approving/billing officials' reviews and initiated actions to improve the Purchase Card On-Line System. DoD IG did not make any recommendations.

**Report No. DODIG-2013-061**

## Audit of Hotline Allegations Involving Defense Intelligence Mission Area

**Overview:** The overall objective was to examine the allegations made in a hotline complaint involving the Defense Intelligence Mission Area, a program management office that addresses integration of the DoD intelligence community Information Technology Portfolio Management. Specifically, DoD IG examined whether Defense

Intelligence Mission Area funds were properly allocated and executed in accordance with the stated purpose.

**Findings:** DoD IG did not substantiate the hotline allegations. However, DoD IG found that the Office of the Under Secretary of Defense for Intelligence and the Defense Intelligence Agency were not in compliance with DoD policies for information technology portfolio management. **Result:** The report provided a recommendation that would ensure information technology investments are adequately managed and redundancies and efficiencies are identified. The under secretary of defense for intelligence comments were not fully responsive to the recommendation. This report is FOUO.

*Report No. DODIG-2013-004*

## Joint Warfighting and Readiness

DoD is determined to maintain a ready and capable force, even as it reduces its overall capacity. As the drawdown continues in Afghanistan, the resetting of equipment and materials from ongoing operations is critical to ensure the operational readiness of the troops. It is also critical to properly account for unneeded equipment and materials by reusing or disposing of them. Additionally, the Department continues not only to ensure support for the troops but also to assist in building partner nations security capacity. The nation's security is inextricably tied to the effectiveness of its efforts to help partners and allies build their own security capacity. The value of programs to build partner capacity extends well beyond conflicts such as Afghanistan and Iraq. Conducting such efforts before conflicts become serious can help mitigate them or even prevent them in the first place. During this reporting period, DoD IG issued reports addressing supply-support activities in Afghanistan and the Department's management efforts associated with the Defense Institution Reform Initiative.

tions in their efforts to address capacity gaps in such key functions as development of policy and strategy, ministerial organization, force development, budgets, human resources (including professional defense and military education), logistics, civil-military relationships and inter-agency coordination. The DIRI program seeks to enhance DoD capacity to conduct defense institution building with a balanced, centralized, expert and efficient approach that includes deliberate outreach to security cooperation providers and decision-makers.

**Findings:** Office of the Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations program officials administered the DIRI program since its inception in 2009 without a defined and published program mission and goals, program strategy or performance measures. Furthermore, CCMR program officials did not adequately implement procedures to establish a clear tracking process for DIRI program engagements or document all DIRI program efforts. Specifically, CCMR program officials did not prepare 24 event plans for the 175 DIRI program engagements held through August 2009 and April 2012. In addition, 149 event plans and 173 engagement reports lacked approval. This occurred because the under secretary of defense for policy did not develop defense institution-building policy to guide the DIRI program or any other defense institution-building-related efforts. Also, DASD PSO and CCMR program officials stated they wanted flexibility to execute the DIRI program. As a result, DASD PSO program officials had an insufficient basis for determining the program's effectiveness in partnering with 17 countries or of its use of the \$20.2 million provided to the program as of third quarter FY 2012. Furthermore, without defined performance measures, DASD PSO and CCMR program officials could not account for the program's results. Because CCMR program officials did not adequately implement tracking and documentation procedures, a complete record of what was accomplished during DIRI program engagements and lessons-learned from those engagements were not easily accessible or disseminated. Lastly, the lack of defense institution-building policy allowed overlapping missions in DoD's defense institution-building-related efforts. An emerging and growing pro-

“The DIRI program seeks to enhance DoD capacity to conduct defense institution building with a balanced, centralized, expert and efficient approach...”



### Defense Institution Reform Initiative Program Elements Need to Be Defined

**Overview:** The Defense Institution Reform Initiative program is a global institutional capacity-building program that supports partner nation Ministries of Defense and related institu-

# Core Mission Areas

gram, DIRI needs written guidance to govern the program and define how it fits with other U.S. security cooperation and defense institution-building efforts. In addition, corrective actions that officials take will help ensure the efficient use of the approximately \$12 million requested for the DIRI program in FY 2013.

**Result:** DoD IG recommended the under secretary of defense for policy issue guidance that defines the DIRI program's mission and goals, program strategy, and performance measures. The under secretary of defense for policy should also issue guidance that defines defense institution building roles and responsibilities. The under secretary of defense for policy should also issue guidance about implementing procedures that require the coordination of a defense institution-building program's mission and goals, program strategy and performance measures with other security cooperation activities. In addition, the center for civil-military relations director should develop and implement procedures to document all individual DIRI program efforts, provide evidence of review and approval of those documents, and establish a clear tracking method for each effort.

**Report No. DODIG-2013-019**



DoD IG reviewed supply support activities in Afghanistan.



## Supply Support Activities in Afghanistan Could Be Managed More Effectively to Improve Inventory Accountability

**Overview:** Supply support activities in Afghanistan are responsible for providing supply support to help units maintain operational readiness. As of June 2011, 19 SSAs were operating throughout Afghanistan. As of June 2011, SSAs in Afghanistan reported a cumulative total of 189,443 line items of inventory, valued at \$596.1 million. DoD IG determined whether selected supply support activities in Afghanistan effectively and efficiently supported their customers and evaluated procedures for establishing authorized stockage lists.

**Findings:** SSAs in Afghanistan generally provided the necessary support to their customers, maintained readiness status and implemented procedures for establishing effective authorized stockage lists. The seven SSAs DoD IG visited met the Army's goal for the number of line items with a zero balance with dues-out and generally met the sustainment brigade's established goal for customer demand satisfaction. In addition,

four of the seven SSAs exceeded the Army's goal for the readiness driver fill rate. However, even though the SSAs provided the necessary support to their customers, they could be managed more effectively to ensure that assets were accounted for and properly safeguarded. Specifically, the SSAs DoD IG visited had recorded losses of approximately \$23.5 million from June 2010 through July 2011. Of the \$23.5 million, about \$10.3 million could not be adequately explained. The lack of accountability occurred because SSA accountable officers did not conduct adequate causative research or implement the use of command inspection controls. Without adequate causative research, the SSA accountable official could not determine if the inventory discrepancies were caused by system problems or if a financial liability investigation of property loss was necessary. As a result, unless controls are implemented to safeguard inventory, SSAs are at an increased risk of continued loss, damage or theft of inventory.

**Result:** DoD IG recommended the U.S. Forces-Afghanistan commander issue a policy memorandum requiring that:

- SSA accountable officers conduct causative research on all qualifying Inventory adjustment reports. At a minimum, the causative research should include a complete review of all transactions and supporting documentation to include identification, analyses and evaluation of the cause for the inventory discrepancy. If the causative research showed that the inventory discrepancy resulted in an actual loss of property and can be related to the contractor's performance, the accountable officer should prepare a financial liability investigation and take the appropriate actions.
- Responsible approval authorities review and approve all Inventory adjustment reports to verify that causative research conducted by SSA accountable officers was conducted in accordance with Army Regulation 735-5, Policies and Procedures for Property Accountability, Feb. 28, 2005.
- Sustainment brigades conduct command inspections of SSAs in accordance with Army policy.

Management agreed with the recommendations.

**Report No. DODIG-2013-026**



### Counterintelligence Screening Needed to Reduce Security Threat That Unscreened Local National Linguists Pose to U.S. Forces

**Overview:** DoD IG reviewed counterintelligence screening needed to reduce security threat that unscreened local national linguists pose to U.S. forces.

**Findings/Result:** The report is FOUO.

**Report No. DODIG-2013-030**

## Information Assurance, Security and Privacy

DoD IG oversight focuses on the Department's cyber security efforts including information security and assurance, operations and contingency planning, information technology acquisitions, vulnerability management and emerging capabilities. During this reporting period, DoD IG issued reports on tracking and security of commercial mobile devices, security posture of critical infrastructure and industrial control systems, and controls over wireless connections.



### Improvements Needed With Tracking and Configuring Army Commercial Mobile Devices

**Overview:** With the rapid changes in information technology, the Army decided to adopt newer technologies, starting with incorporating commercial mobile devices into daily activities. As the Army adopted this newer technology, it began testing commercial mobile devices in the field and in administrative offices. In 2009, the Army vice chief of staff directed the Army chief information officer to begin procuring inexpensive systems such as Apple iPhone and Google Android commercial mobile devices instead of the traditional procurement of dedicated software and hardware. DoD IG determined whether the Army had an effective cyber security program that identified and mitigated risks surrounding portable electronic devices and removable media. Specifically, at the sites visited, DoD IG verified whether Army officials appropriately tracked, configured and sanitized portable electronic devices and determined whether the Army used authorized removable media on its network.

**Findings:** The Army CIO did not implement an effective cyber security program for commercial mobile devices. Specifically, CIO did not

appropriately track commercial mobile devices and was unaware of more than 14,000 commercial mobile devices used throughout the Army. Additionally, at the sites visited, CIO did not:

- Ensure that commands configured commercial mobile devices to protect stored information. The chief information officers at the U.S. Military Academy and U.S. Army Corps of Engineers Engineer Research and Development Center did not use a mobile device management application to configure all commercial mobile devices to protect stored information.
- Require commercial mobile devices to be properly sanitized. CIOs at USMA and USACE Engineer Research and Development Center did not have the capability to remotely wipe data stored on commercial mobile devices that were transferred, lost, stolen or damaged.
- Control commercial mobile devices used as removable media. The CIOs at USMA and USACE Engineer Research and Development Center allowed users to store sensitive data on commercial mobile devices used as removable media.
- Require training and user agreements specific to commercial mobile devices. The CIOs at USMA and USACE Engineer Research and Development Center did not train commercial mobile device users and require users to sign user agreements.

These actions occurred because the Army CIO did not develop clear and comprehensive policy for commercial mobile devices purchased under pilot and nonpilot programs. In addition, the Army CIO inappropriately concluded that commercial mobile devices were not connecting to Army networks and storing sensitive information. As a result, critical information assurance controls were not appropriately applied, which left the Army networks more vulnerable to cyber security attacks and leakage of sensitive data.

**Result:** The Army chief information officer should develop clear and comprehensive policy to include requirements for reporting and tracking all commercial mobile devices. In addition, the Army chief information officer should extend existing information assurance requirements to the use of all commercial mobile devices.

**Report No. DODIG-2013-060**

“Specifically, CIO did not appropriately track commercial mobile devices and was unaware of more than 14,000 commercial mobile devices used throughout the Army.”

# Core Mission Areas

## Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness

**Overview:** DoD IG assessed the effectiveness of the cyber red teams' activities. Specifically, DoD IG determined whether the red teams followed DoD and components' standard operating procedures when evaluating or testing for vulnerabilities, threats, infiltration controls or other services performed on components' systems.

**Findings/Result:** This report is classified.

**Report No.** DODIG-2013-035

## Improvements are Needed to Strengthen the Security Posture of USACE, Civil Works Critical Infrastructure and Industrial Control Systems in the Northwestern Division

**Overview:** DoD IG determined whether U.S. Army Corps of Engineers, Civil Works personnel in the Northwestern Division implemented effective procedures and security controls to protect information systems used to operate critical infrastructure against unauthorized access from physical and cyber threats.

**Findings/Result:** This report is FOUO.

**Report No.** DODIG-2013-036

## Improvements Needed With Wireless Intrusion Detection Systems at the Defense Logistics Agency

**Overview:** DoD IG determined whether Defense Logistics Agency officials were using wireless intrusion detection systems in their facilities to detect unauthorized activity from wireless local area network devices. DoD IG also determined whether DLA officials took appropriate actions to prevent and mitigate unauthorized wireless connections.

**Findings/Result:** This report is FOUO.

**Report No.** DODIG-2013-055

## Equipping and Training Afghan Security Forces

A sufficient and sustainable Afghan National Security Force is necessary for Afghanistan's long-term stability and security. As the transferring of security authority and responsibility shifts from International Security Assistance Force to the Afghan government by the end of 2014, the training, equipping and mentoring efforts of ANSF is crucial. The Afghanistan Security Forces Fund provides the resource foundation

needed to train and equip ANSF and Afghan Local Police by providing funding to train, equip and sustain ANSF.

A top priority of DoD IG is to provide monitoring and oversight of the acquisition and contracting efforts associated with training, equipping and sustaining ANSF and Afghan Local Police. DoD IG oversight addresses the management and administration of contracts for goods and services that directly support efforts funded by Afghan Security Forces Fund. During this reporting period, DoD IG reported on the efforts of acquiring a medium airlift aircraft for the Afghan Air Force and the management of the Ministry of Defense Advisors program to assist in building a ministerial capacity in Afghanistan.

## Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts

**Overview:** Congress created the Afghanistan Security Forces Fund in FY 2005 as an emergency supplemental appropriation for equipment and services to support the Afghan National Security Forces. From FY 2005 to 2012, Congress appropriated about \$50.9 billion to the Afghanistan Security Forces Fund. The U.S. government uses pseudo-foreign military sales cases to procure items and services such as the G222 to support the ANSF through this fund. Foreign military sales cases for purchasing items with Afghanistan Security Forces Fund are "pseudo" because the United States is not selling the items to foreign customers, but instead, to DoD, which provides those items to the ANSF. In May 2007, NATO Training Mission -Afghanistan/Combined Security Transition Command-Afghanistan sent a memorandum of request to the Air Force Security Assistance and Cooperation Directorate to acquire a medium airlift aircraft for the Afghan Air Force. The medium airlift aircraft was required to perform missions in a high-altitude/high-temperature environment and to address three requirements: presidential airlift, medical evacuation and project combat capability. In October 2007, NTM-A/CSTC-A requested the acquisition of the G222 to perform these missions and as requested, the G222 Program Management Office awarded a contract to Alenia North America.



DoD IG reviewed wireless intrusion detector systems.

**Findings:** G222 PMO officials have not determined the cost or availability of G222 spare parts. This occurred because NTM-A/CSTC-A and G222 PMO officials did not effectively manage the G222 program. Specifically, NTM-A/CSTC-A and G222 PMO officials had not agreed on a course of action for the G222, and G222 PMO officials had not prepared a sustainment plan that considered cost. As a result, NTM-A/CSTC-A and G222 PMO officials may spend about \$200 million in Afghanistan Security Forces Funds on spare parts for an aircraft that does not meet operational requirements, may be cost-prohibitive to fly and does not have critical spare parts to sustain it. This amount would be in addition to the \$486.1 million that G222 PMO officials have already obligated for the program on two contracts. In addition, the aircraft flew only 234.2 of the required 4,500 hours from January to September 2012. In an Aug. 28, 2012, memorandum to NTM-A/CSTC-A and Air Force Life Cycle Management Center officials, DoD IG suggested they delay the procurement of spare parts until they determined (1) whether to replace or use the G222 in a limited capacity, (2) the service life of the G222, (3) the impact of diminishing manufacturing sources and (4) the estimated sustainment costs. NTM-A/CSTC-A and Air Force Life Cycle Management Center officials agreed with our suggestions except for preparing a sustainment plan before obligating funds for the procurement of spare parts. In December 2012, the Air Force Mobility Programs, Air Force Life Cycle Management Center program executive officer notified the contractor that they would not take action to issue a new delivery order when the G222 follow-on sustainment support contract expired in March 2013. The PEO also indicated the Afghan Air Force would use an alternate aircraft to meet the long-term medium airlift requirement. According to the PEO, if the program had continued through March 2022 as originally planned, it would have required \$830 million, in addition to the about \$200 million identified in the report, in sustainment costs, to include a significant amount for spare parts.

**Result:** DoD IG recommended that the NTM-A/CSTC-A commanding general and the assistant secretary of the Air Force (acquisition) determine whether to continue to use the G222. In addition,

the NTM-A/CSTC-A commanding general must develop a long-term strategy if the G222 will continue to be used to meet the Afghan Air Force medium airlift requirement. Because of actions taken by the Air Force Mobility Programs, Air Force Life Cycle Management Center PEO after draft report issuance, DoD IG acknowledges that a sustainment plan is no longer necessary for the G222 program. Therefore, DoD IG recommended the PEO direct G222 PMO officials not to obligate any additional funds related to the about \$200 million in Afghanistan Security Forces Funds. Additionally, DoD IG recommended that they do not expend funds previously obligated for spare parts until exhausting all available spare parts inventory, cannibalizing spare parts from other G222 aircraft, and when feasible, continuing the practice of using other aircraft to meet the medium airlift capability. G222 PMO officials should also develop an executable disposal plan for the G222 and determine whether any spare parts are needed to support the disposal plan.

**Report No. DODIG-2013-040**

#### Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program

**Overview:** In 2009, DoD developed the Ministry of Defense Advisors pilot program to support a pool of civilians capable of building ministerial capacity in Afghanistan. DoD officials designed the MoDA program to forge long-term relationships with a partner nation's ministry of defense by matching senior civilians to partner-identified requirements. DoD civilians can forge long-term relationships under the auspices of the civilian expeditionary workforce, which allows civilians to deploy for as long as two years. The MoDA program also provides temporary backfill funding to the civilian's parent organization to hire temporary replacements. DoD IG determined whether the program met its intended purpose; specifically, DoD IG determined whether MoDA program goals, objectives and resources were managed effectively and efficiently.

**Findings:** MoDA program officials did not establish a performance management framework to include goals, objectives and performance indicators to assess progress and measure program results. Instead, program officials relied on NATO Training Mission-Afghanistan/U.S.



DoD IG reviewed the cost of G222 spare parts.

# Core Mission Areas

Combined Security Transition Command-Afghanistan officials to determine whether MoDAs were effectively building ministerial capacity in the Afghanistan Ministry of Defense and Ministry of Interior. Also, program officials did not establish goals and objectives to determine whether an adequate number of MoDA positions were filled in a timely manner. This occurred because program and command officials did not establish a cooperative agreement to identify roles and responsibilities and communicate and share information. Other contributing factors cited by program officials included an absence of DoD guidance on building ministerial capacity and the tentative nature of a pilot program creating uncertainty of its future. Without a framework, program officials cannot fully assess the effectiveness of the program in building ministerial capacity or hold individuals accountable for achieving program results. In addition, command officials may not have effectively and efficiently managed MoDA resources. Specifically, officials were unable to justify the need for all 97 authorized MoDA positions and placed five of 28 MoDAs interviewed into non-advisory positions with Afghan officials. This occurred because command officials did not develop criteria to identify and validate MoDA positions. As a result, MoDAs may be unable to fully exchange expertise and build long-term relationships with Afghan ministry officials.

**Result:** Among other recommendations, DoD IG recommended the deputy assistant secretary of defense for partnership strategy and stability operations and command officials should work together to establish a performance management framework and cooperative agreement and develop and implement criteria to identify and validate MoDA positions.

**Report No. DODIG-2013-005**



## Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to Other DoD Agencies

**Overview:** Between FY 2010 and FY 2012, Ministry of Defense Advisors program officials

reimbursed other DoD agencies for some of the deployed civilians' costs, to include premium pay, backfilling the vacant position and training costs. DoD IG determined whether MoDA program officials established adequate controls over the distribution of funds to other DoD agencies.

**Findings:** MoDA program officials did not develop adequate controls over the distribution of funds to other DoD agencies for deployed civilians' premium pay, backfill and training costs. Instead, program officials relied on other DoD agencies to ensure \$19.3 million in estimated costs for 118 military interdepartmental purchase requests issued in FY 2010 to FY 2012 were adjusted to the final payment amounts. MoDA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations and adjust final payments made to DoD agencies. As a result, for \$3.6 million disbursed through 56 military interdepartmental purchase requests, MoDA program officials:

- Potentially overpaid nine military interdepartmental purchase requests by \$124,195.
- Potentially underpaid 13 military interdepartmental purchase requests by \$318,892.

The remaining 34 military interdepartmental purchase requests did not require adjustment. Without taking corrective action, MoDA program officials risk augmenting MoDAs or other DoD agencies' appropriations, which could result in Antideficiency Act violations.

**Result:** DoD IG recommended the deputy assistant secretary of defense for partnership strategy and stability operations:

- Update policy and develop and implement procedures to obtain actual-cost data and reconcile funds disbursed through military interdepartmental purchase requests for deployed advisors premium pay, backfill and training costs.
- Reconcile prior disbursements to actual costs and adjust the final payment amount, as appropriate.

**Report No. DODIG-2013-062**

The following cases are highlights of investigations conducted by DCIS and its federal law enforcement partners during the reporting period. DCIS investigations are listed under the following categories:

- Procurement fraud.
- Public corruption.
- Product substitution.
- Health care fraud.
- Illegal technology transfer.
- Cyber crime and computer network intrusions.

## Procurement Fraud

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. Of all forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. Procurement fraud includes, but is not limited to, cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

### Caddell Construction Paid a \$2 Million Fine and \$1.1 Million to Settle Allegations of Fraud

**Overview:** A joint investigation with the Department of Labor OIG, General Services Administration OIG and Small Business Administration OIG determined that Caddell Construction Company, Inc., submitted allegedly false claims to the government seeking payment for work performed on the Edward Zorinsky Federal Building renovation project in Omaha, Neb. The Zorinsky renovation project was a \$43 million contract issued through GSA. The U.S. Army Corps of Engineers provided onsite project management during the renovation project and maintains office space in the Zorinsky Federal Building. Between 2003 and 2005, USACE contracted with Caddell to build barracks at Fort Campbell, Ky., and Fort

Bragg, N.C. As a stipulation of the contracts, Caddell represented that it would hire and mentor Mountain Chief Management Services, a Native American-owned company, under the Department of Defense's Mentor-Protégé and Indian Incentive Programs. Allegedly, Caddell falsely represented in invoices and supporting documents that it was mentoring Mountain Chief and that Mountain Chief was performing work on the construction projects. However, Mountain Chief did not receive mentoring services and did not perform the work for Caddell. In effect the company was a pass-through entity Caddell used to claim payments under the two programs.

**Result:** On Dec. 20, 2012, the Department of Justice entered into a nonprosecution agreement with Caddell Construction. As part of the agreement, Caddell agreed to pay a monetary penalty of \$2 million and to cooperate with Department of Justice for the two-year term of that agreement. On March 25, 2013, the Department of Justice entered into a civil settlement agreement with Caddell, in which Caddell agreed to pay \$1.1 million to settle the allegations of fraud.

### DoD Contractor Falsely Certified as a Service-Disabled Veteran-Owned Small Business to Obtain DoD Contracts

**Overview:** A joint investigation with GSA OIG, SBA OIG and Veterans Affairs OIG disclosed that Silver Star Construction, LLC, a prime DoD contractor, falsely certified it was a service-disabled veteran-owned small business to obtain set-aside contracts under the program valued in excess of \$5 million and procured under the American Recovery and Reinvestment Act of 2009. A review of military records did reveal that company owner, Warren Parker, served in the Missouri National Guard from 1963 through 1968, but failed to confirm that Parker was a service-disabled veteran. Records from the Federal Data Procurement System revealed two service-disabled veteran-owned small business DoD contracts obtained by Silver Star as a primary contractor including one for \$7,450 and the other for \$740,875.

**Result:** Warren Parker previously pleaded guilty to conspiracy to commit fraud against the United States, major program fraud, wire fraud, conspiracy to commit money laundering and false

## Investigations



DCIS investigated alleged false claims involving the Zorinsky building.

# Core Mission Areas

statements. On Nov. 5, 2012, Warren Parker was sentenced to 87 months of confinement and three years of supervised release. A final order of forfeiture was also granted for \$6.8 million to be paid jointly and severally with any co-defendants ordered to pay forfeiture judgments.

## Nearly \$3 Million Paid by NCR Corporation to Settle False Claims Allegations

**Overview:** A joint investigation with USACIDC, Naval Criminal Investigative Service and the OIGs for Department of Energy, Department of Interior, Environmental Protection Agency, GSA, NASA and the Postal Service disclosed that NCR Corporation allegedly provided improper payments amounting to kickbacks to Systems Integrators and other Alliance partners in exchange for their recommendation of NCR products to government end users. Between 2001 and 2004, NCR, acting through its Teradata Division, allegedly entered into agreement with Accenture LLP where NCR paid Accenture illegal benefits for contracts and discounts on equipment purchases. NCR is one of several defendants named in the qui tam lawsuit under investigation for violations of the Anti-Kickback Act and the False Claims Act. Several of the contracts affected were DoD contracts, including contracts with Defense Commissary Agency, Defense Information Systems Agency and U.S. Transportation Command.

**Result:** On Dec. 28, 2012, the Department of Justice entered into a civil settlement agreement with NCR Corporation, in which the company agreed to pay \$2.8 million to settle the allegations of false claims. The settlement amount includes \$572,994 paid to the relator of the qui tam suit.

manager, respectively, under a contract that Parsons held to support the Coalition Munitions Clearance Program operated by the USACE. The Coalition Munitions Program sought to prevent insurgents and other unfriendly groups from acquiring munitions that had been stockpiled, abandoned or seized. Newell and Hunt admitted that from 2005 to 2007 they accepted more than \$1 million in kickbacks in return for steering contracts to specific subcontractors. Newell and Hunt also admitted to filing false federal income tax returns by not disclosing kickback income. Ahmed Sarchil Kazzaz previously pleaded guilty for his role in the scheme. According to his plea agreement, between March 2006 and June 2007, Kazzaz agreed to pay kickbacks to Newell and Hunt. He obtained more than \$23 million in subcontracts providing materials and equipment to Parsons.

**Result:** On Oct. 9, 2012, Newell was sentenced to 27 months in prison, three years of supervised release and \$1.2 million in restitution to be paid jointly and severally between co-defendants Hunt and Kazzaz. In addition, Newell was ordered to forfeit \$861,027. On Oct. 10, 2012, Hunt was sentenced to 15 months in prison and three years of supervised release. Along with the joint and several restitution with Newell and Kazzaz, Hunt was further ordered to forfeit \$236,472. On Oct. 29, 2012, Kazzaz was sentenced to 15 months in prison, ordered to pay a fine of \$15,000 and held jointly and severally liable for restitution to be paid to USACE. Kazzaz was also ordered to forfeit an additional \$947,585. The combined forfeitures, fines, penalties and restitution for all three defendants amounted to more than \$3.2 million.

## Public Corruption

Corruption by public officials poses a fundamental threat to our country's national security and overall safety and undermines the public trust in the government. Public corruption wastes billions of tax dollars and negatively affects DoD and the mission of the warfighter. DCIS combats this issue with the authority, resources and expertise to conduct undercover operations, court-authorized electronic surveillance and forensic audits. Using these tools, DCIS holds accountable those who undermine the integrity of

## Two U.S. Contractor Employees Sentenced for Kickback Conspiracy Related to Iraq Reconstruction Efforts

**Overview:** A joint investigation with the Special Inspector General for Iraq Reconstruction, FBI and Internal Revenue Service-Criminal Investigation disclosed that two former employees of the Parsons Company conspired with U.S. government subcontractors to receive kickbacks in return for contracts. Gaines R. Newell and Billy Joe Hunt were employed by Parsons in Iraq as program manager and deputy program



DCIS investigated a kickback conspiracy in Iraq.

the DoD acquisition system. The entire procurement system is based on the trust and integrity of the public officials who oversee the purchase, quality, safety and security of the equipment and services our warfighters require to carry out the mission.

### Kentucky-Based Defense Contractors Pay \$6.2 Million to Resolve Allegations of False Statements

**Overview:** A DCIS investigation determined that Commonwealth Technologies, LLC; Lusk Mechanical Contractors, Inc. and its owners allegedly committed fraud by claiming to operate in an historically underutilized business zone and subsequently received approximately \$61 million in set-aside HUBZone contracts from the Army. A contracting officer representative with the U.S. Army's Network Enterprise Center at Fort Knox, Ky., allegedly steered contracts related to information technology work at Fort Knox to HD Solutions, LLC, a subcontractor of Lusk Mechanical Contractors, Inc.

**Result:** On Dec. 5, 2012, the Department of Justice entered into a civil settlement agreement with Lusk Mechanical Contractors, Inc. and Commonwealth Technologies to settle allegations of violating the civil False Claims Act. \$3.7 million was payable by the defendants (within 15 days). The remaining \$2.5 million was seized Oct. 22, 2008, from Lusk Mechanical Contractors, Inc. bank accounts and was forfeited in accordance with the civil settlement agreement.

### Former KBR Employee Pleads Guilty to Bribery for Facilitating Theft by Trucking Contractor in Afghanistan

**Overview:** A joint investigation with the USACIDC, FBI and Special Inspector General for Afghanistan Reconstruction disclosed that former KBR employee, Diyana Montes, received bribes for her role in a scheme to fraudulently bill the Army for trucking services in Afghanistan. From approximately April 2008 through December 2008, Montes worked at Bagram Airfield, Afghanistan, where KBR provided services to the Army's Movement Control Branch that coordinated requests from various U.S. military units for trucking services and assigned those requests to particular contractors. Each trucking request generated

specific documents, including Transportation Movement Requests, which authorized the use of trucks. Montes's duties included receiving Transportation Movement Requests from various contractors and reconciling any discrepancies between the services described in the Transportation Movement Requests and the services the contractors claimed in their invoices. On numerous occasions, Montes received and reviewed Transportation Movement Requests and invoices for services allegedly provided by Afghanistan Trade Transportation that Montes knew were not performed. From approximately May 2008 through December 2008, in return for her knowingly handling the fraudulent transportation movement requests and invoices, Afghanistan Trade Transportation paid Montes approximately \$50,000.

**Result:** In a plea agreement Oct. 24, 2012, Montes pleaded guilty to one count of receipt of bribes by a public official. On Jan. 31, 2013, Montes was sentenced to nine months imprisonment and 12 months supervised release. She was also ordered to pay \$50,000 restitution to the Defense Finance and Accounting Service and was debarred from contracting with the U.S. government until October 2016.

### Former U.S. Army Major Sentenced to 18 Months in Prison for Bribery Scheme Related to DoD Contracts in Kuwait

**Overview:** A joint investigation with the USACIDC, IRS-CI, FBI and Special Inspector General for Iraq Reconstruction disclosed that former Army Major James Momon Jr. was involved in a criminal conspiracy to accept cash bribes from multiple DoD contractors that supplied bottled water and other goods and services to U.S. military bases in Kuwait. In return, Momon assisted the contractors in obtaining contracts and blanket purchase agreements. Momon agreed to accept approximately \$5.8 million from his co-conspirators as payment for his actions, including \$1.6 million in cash and luxury items. Momon assumed contracting duties at Camp Arifjan, Kuwait, from former Army Major John C. Cockerham, who served as a contracting official in Kuwait in 2004 and 2005. In February 2008, Cockerham, who solicited and received bribes from DoD contractors in exchange for contracts and blanket purchase agree-



DCIS investigated fraudulent billing for trucking services in Afghanistan.

# Core Mission Areas

ments, pleaded guilty for his role in the conspiracy and was sentenced to 210 months in prison and ordered to pay \$9 million in restitution.

**Result:** On Nov. 13, 2012, Momon was sentenced to 18 months in prison, three years of supervised release and ordered to pay \$5.8 million in restitution, jointly and severally with previously sentenced co-defendants. To date, 19 individuals have pleaded guilty or been convicted at trial in the ongoing investigation of corrupt contracting at Camp Arifjan.

## Former USACE Employee Sentenced to 13 Years for Multimillion-Dollar Bribery and Kickback Scheme

**Overview:** A joint investigation with IRS-CI, Immigration and Customs Enforcement-Homeland Security Investigations and USACIDC determined that John Alf Salama Markus, a former USACE employee, accepted bribes and kickbacks while deployed to Tikrit, Iraq. The bribery was in connection with more than \$50 million in USACE contracts awarded to foreign companies in Gulf Region North, Iraq. From July 2007 to June 2008, Markus accepted at least \$3.7 million in bribes and kickbacks in connection with USACE contracts awarded to multiple companies associated with two foreign contractors. From September 2005 to July 2008, Markus was assigned to Tikrit as a project engineer. While there, he and his co-worker, Onisem Gomez, were involved in the review and award process for USACE contracts in Gulf Region North, Iraq, as well as the post-award administration, oversight and modification of such contracts. Markus admitted that he and his co-worker provided favorable official action and assistance to co-conspirators for the benefit of their associated companies. This included obtaining and disseminating confidential bid and internal USACE pricing information to individuals seeking the award of USACE contracts to their companies, and approving lucrative payments for these companies. Markus opened or established control over multiple foreign bank accounts in Jordan and Egypt to receive illegal bribe and kickback payments that he took from foreign contractors in connection with USACE contracts.

**Result:** On Feb. 12, 2013, Markus was sentenced to 156 months in prison. He agreed to the entry

of a forfeiture money judgment and to forfeit additional assets totaling \$4.8 million. In addition, Markus was sentenced to three years of supervised release, fined \$75,000 and ordered to cooperate with the IRS concerning the payment of taxes and penalties.

## California Army National Guard Orders \$6.3 Million in Recoupments From More Than 900 Guard Members

**Overview:** A joint investigation with the FBI and USACIDC disclosed that Master Sergeant Toni L. Jaffe, California Army National Guard, acted with numerous individuals assigned to CA ARNG units throughout California to disburse approximately \$20 million to officers and enlisted personnel who were not entitled to receive the monetary awards and benefits. Jaffe, CA ARNG's incentives program manager, was responsible for the disbursement of approximately \$300 million in payments under various incentives programs for more than a decade. The programs involved funding set aside for enlistment, re-enlistment and accession bonuses, as well as education assistance, and tuition and student loan reimbursement. DoD funded the programs affected by Jaffe's misconduct

**Result:** Previously, Jaffe was sentenced to serve 30 months in federal prison and pay restitution to DoD of \$15.2 million. On Jan. 28, 2013, the CA ARNG reported that to date \$6.3 million in administrative recoupments had been initiated involving more than 900 current and former CA ARNG members.

## DoD Contractors and Navy Employees Sentenced to Pay More Than \$3 Million for Fraud Scheme at Naval Air Station North Island

**Overview:** A joint investigation with the FBI, NCIS, IRS-CI and GSA OIG uncovered a widespread bribery and corruption scheme operating at the Naval Air Station North Island, Calif. The implicated defense contractors paid more than \$1 million in bribes, including cash, retail gift cards, electronics and home remodeling in exchange for nearly \$4 million in orders. The fraud involved contracts to provide goods and services to the Naval Air Systems Command E-2 Hawkeye/C-2 Greyhound Program. An anonymous complaint alleged Jesse Denome, president of J.D. Machine Tech, Inc., and Kaiser Defense,

“The implicated defense contractors paid more than \$1 million in bribes...”

LLC., paid Naval Air Station North Island employees, Donald VanGundy, contracting officer, and Brian Delany, E2/C2 team lead, for work to be directed to Denome's businesses. VanGundy and Delany allegedly circumvented the bidding process to exclude competition, ignored non-delivery of ordered items and certified receipt of items that were never delivered to Naval Air Station North Island. Investigation revealed the scheme was more widespread and included the receipt of bribes and gratuities by other E2/C2 employees. Evidence indicated other Navy employees circumvented the internal controls enabling the fraud scheme to proliferate and involve additional contractors.

**Result:** On Oct. 12, 2012, Brian J. Delaney was sentenced to 36 months probation and ordered to pay \$60,700; Michael K. Graven was sentenced to 18 months confinement, 36 months probation and ordered to pay \$622,381; Paul A. Grubiss was sentenced to 18 months confinement, 36 months probation and ordered to pay \$300,200; David W. Lindsay was sentenced to 36 months probation and ordered to pay \$66,500; Kiet P. Luc was sentenced to 30 months confinement, 36 months probation and ordered to pay \$718,748; John R. Newman was sentenced to 18 months confinement, 36 months probation and ordered to pay \$760,037; and Donald K. VanGundy was sentenced to 41 months confinement, 36 months probation and ordered to pay \$501,396. On March 4, 2013, DoD contractors Robert Ehn timer, Joanne Loehr, and Centerline Industrial, Inc. (Loehr's company), were convicted in federal court of conspiracy, bribery, wire fraud and money laundering. Sentencing is pending. On March 8, 2013, Naval Air Station North Island employee Kenneth Ramos was sentenced to 30 consecutive weekends in custody followed by five years of supervised release and ordered to pay \$5,000 in restitution. To date, 12 defendants have been convicted in this widespread bribery and corruption scheme and the court has ordered approximately \$3 million in penalty assessments and restitutions.

## Product Substitution

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of counterfeit, defective or substandard

products, and substituted products that do not conform with the requirements of the contract. Nonconforming products disrupt readiness and waste economic resources. They also threaten the safety of military and government personnel and other end-users. When substituted products are deliberately provided to DoD, mission-critical processes and capabilities can be severely impacted until those products are removed from the DoD supply chain. DCIS works with federal law enforcement partners, supply centers and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen and Marines.

### Bowman Plating Company Fined \$500,000 for Providing Nonconforming Parts to the U.S. Government

**Overview:** A joint investigation with Department of Transportation OIG disclosed that Bowman Plating Company knowingly conducted substandard non-destructive testing, had significant plating nonconformance issues related to out-of-range solution analysis, and failed to notify government customers of the test failures. In June 2003, a Boeing Defense Systems audit team discovered process control test failures at Bowman. Boeing suspended Bowman for failing to notify its government customers. As part of Bowman's corrective action, the company promised to notify past Boeing customers of test failures and to notify customers if any failures occur in the future. A review of the Boeing audit results from 2003 to 2007 showed Bowman did not notify customers of repeated salt spray failures. In August 2003, the National Aerospace and Defense Contractors Accreditation Program began audits of Bowman's processes. NADCAP auditors identified major nonconformance issues at Bowman related to out-of-range solution analysis and failure to notify customers. A re-



DCIS investigated Bowman for providing nonconforming parts.

# Core Mission Areas

“... the owners of Roth Fabricating, Inc., conspired to supply nonconforming parts to DoD through Defense Logistics Agency using purchase orders valued at \$3.9 million.”

view of laboratory tests performed for Bowman disclosed that numerous tests failed after the 2003 Boeing audit. Bowman's quality manual included instructions and requirements concerning customer notification of nonconforming parts, as did the quality manuals for Bowman's prime contractors.

**Result:** On Oct. 29, 2012, Bowman Plating Company was sentenced to three years probation, a special assessment of \$1,200, and a criminal fine of \$500,000. In addition, Bowman was also directed to adopt and implement a Code of Ethics and Corporate Compliance Program.

## Married Couple Incarcerated, Debarred, and Ordered to Pay Nearly \$1 Million for Providing Nonconforming Parts to DoD

**Overview:** A joint investigation with USACIDC disclosed that Prime Procurement, LLC was supplying substituted and non-conforming parts to DoD. From April to May 2008, the Defense Logistics Agency-Land and Maritime awarded Prime five purchase orders totaling \$18,219 for fuel filter assemblies and fluid filter elements. These parts are critical application items used on amphibious transport docks, armored assault vehicles and fire trucks. DLA-Land and Maritime conducted inspections of these items and determined the items were not original equipment manufacturer parts as specified in the purchase orders. As a result, the parts were suspended from use. The investigation also revealed that the owners of Prime, Tommy Hudgens and Anna Rebecca Hudgens, were previously debarred by DLA for three years as of Nov. 15, 2007. To circumvent the debarment, the Hudgens created ten companies, including Prime, to do business with the DoD and the government. The couple created fictitious names as owners and operators for the companies and entered false information into the DoD Central Contractor Registration database.

**Result:** On Nov. 29, 2012, Tommy Hudgens was sentenced to 27 months imprisonment, three years of supervised release and ordered to pay \$983,782 in restitution. Anna Hudgens was sentenced to 21 months imprisonment, three years of supervised release and ordered to pay \$983,782 in restitution jointly and severally with Tommy Hudgens. In addition, 12 individuals and entities associated with this fraud scheme

previously had been debarred from federal contracting for 10 years.

## Contractors Sentenced to Prison and Debarred for Supplying \$3 Million in Nonconforming Parts to DoD

**Overview:** A joint investigation with USACIDC disclosed that the owners of Roth Fabricating, Inc., conspired to supply nonconforming parts to DoD through Defense Logistics Agency using purchase orders valued at \$3.9 million. Shane M. S. Sarnac, president, and Simone L. Haas, vice president, are co-owners of Roth Fabricating. DLA-Land and Maritime issued purchase orders to Roth Fabricating for the supply of various items including small arms storage racks, ammunition box trays, boarding ladders and other items associated with military vehicles. However, the items were found to be nonconforming. The parts were found to be defective for various reasons including, but not limited to, incorrect dimensions, substituted materials, missing welds and poor workmanship.

**Result:** Previously, Haas had been sentenced to 15 months imprisonment plus six months home confinement and three years of supervised release for conspiracy to commit wire fraud. Haas was also ordered to pay restitution in the amount of \$825,000. DLA debarred Haas from doing business with the government until Aug. 16, 2016. Haas had previously been debarred based on poor performance. On Dec. 19, 2012, Sarnac was sentenced to 26 months imprisonment, three years of supervised release and ordered to pay restitution of \$825,000 (joint and severally liable with the corporation and co-owner Haas) for conspiracy to commit wire fraud. The corporation was sentenced to five years probation, held joint and severally liable for the restitution and ordered to pay a \$25,000 fine. Additionally, on Feb. 20, 2013, DLA debarred Sarnac and Roth Fabricating from doing business with the government. Sarnac was debarred until March 15, 2018, and the corporation was debarred through Jan. 14, 2021.

## Health Care Fraud

The rising costs associated with health care continue to be a national concern. DCIS has experienced an increase in allegations of health care

fraud and combatting this crime is one of our top investigative priorities. Of particular concern are allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers participating in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for uses not approved by the Food and Drug Administration, and approving unauthorized individuals to receive TRICARE health care benefits. DCIS continues to proactively target health care fraud through coordination with other federal agencies and participation in federal and state task forces.

#### **Abbott Labs to Pay \$1.5 Billion for Off-Label Promotion of Depakote**

**Overview:** A joint investigation with the Offices of Inspector General for Department of Labor, Department of Veterans Affairs, Department of Health and Human Services and Office of Personnel Management, along with the FDA, IRS-CI and concerned state agencies, disclosed that Abbott allegedly used kickbacks and other incentives to entice doctors and other medical professionals to promote and prescribe Depakote for non-FDA approved use. Depakote was approved by the FDA for patients with epileptic seizures, bipolar mania and migraines. Abbott allegedly trained its sales force to promote Depakote to health care providers and employees of nursing homes as more advantageous than other antipsychotic drugs for controlling agitation and aggression in elderly dementia patients, to include some military retirees and dependents. In addition, Abbott created programs and materials to train the pharmacy providers' consultant pharmacists about the off-label use of Depakote to encourage them to recommend the drug for the unapproved use. As a result, TRICARE reimbursed pharmacies in excess of \$9 million for use by covered patients.

**Result:** Previously Abbott pleaded guilty to one count of introduction of misbranded drug into interstate commerce. At that time, Abbott agreed to the criminal forfeiture of \$198.5 million and entered into a civil settlement agreement with the Department of Justice, agreeing to pay \$560.8 million to the government and \$239.1 million to state Medicaid programs. Of the monies paid to

the government, the relator was paid \$84.1 million. On Oct. 2, 2012, Abbott was sentenced to five years probation, a \$500 million criminal fine and was ordered to pay \$1.5 million to the Virginia Medicaid Fraud Control Unit's Program Income Fund. In total, between civil and criminal fines and penalties, Abbot agreed to pay \$1.5 billion to settle the allegations of fraud.

#### **Medical Facilities Agree to More Than \$3 Million Settlement**

**Overview:** A joint investigation with HHS OIG disclosed that between 2001 and 2006, EMH Regional Medical Center and North Ohio Heart Center allegedly performed unnecessary cardiac procedures on patients. Specifically, the companies performed unnecessary angioplasty and stent placement procedures on patients who had heart disease but whose blood vessels were not sufficiently blocked to require the specified procedures. EMH Regional Medical Center is a non-profit community hospital system and the North Ohio Heart Center was an independent physician group (during the relevant time period) that practiced at EMH. From 2001 to 2006, EMH billed TRICARE for \$697,000, while the Heart Center billed TRICARE for \$8,467. This was a qui tam suit.

**Result:** On Dec. 14, 2012, the Department of Justice entered into a civil settlement agreement with the Heart Center and EMH. Both agreed to pay the government \$541,870 and \$3.8 million, respectively, to settle allegations that they submitted false claims to Medicare, Medicaid, TRICARE and Federal Employees Health Benefits Programs. The relator will be paid \$682,859 of the settlement amount.

#### **Boehringer Ingelheim to Pay \$95 Million to Resolve Allegations of False Claims Act Violations**

**Overview:** A joint investigation with HHS OIG and VA OIG disclosed that Boehringer Ingelheim allegedly promoted the sale and use of Combivent and Atrovent at doses that exceeded those covered by federal health care programs. The investigation also determined Boehringer allegedly made unsubstantiated claims about the efficacy of Aggrenox, including that it was superior to a competitor's drug, Plavix. It was also alleged that the company paid kickbacks to health



DCIS investigated Boehringer for alleged false claims.

# Core Mission Areas

“The investigation disclosed claims of illegal kickbacks to influence health care providers’ selection of Aranesp for treatment of kidney disease.”



DCIS investigated PAR Pharmaceuticals for off-label marketing.

care professionals to induce them to prescribe Aggrenox, Atrovent, Combivent and Micardis. Finally, it was alleged that Boehringer Ingelheim improperly marketed its drugs and caused false claims to be submitted to government health care programs, including TRICARE. This was a qui tam suit.

**Result:** On Oct. 25, 2012, the Department of Justice entered into a civil settlement agreement with Boehringer Ingelheim in which the company agreed to pay \$95 million to resolve civil allegations under the False Claims Act. Of the \$95 million settlement, TRICARE received \$6 million state Medicaid programs received \$16.5 million, and the relator received \$17 million. The remaining \$55.4 million was paid to the government.

## Amgen to Pay \$762 Million and Integrated Nephrology Network to Pay \$15 Million to Resolve Criminal Liability and Civil Allegations of False Claims

**Overview:** A joint investigation with the FBI, HHS OIG, OPM OIG and the FDA disclosed that from Sept. 17, 2001, to Sept. 30, 2011, Amgen Inc. knowingly promoted the sale and use of a variety of drugs, mainly Aranesp, for indications, dosing intervals, amounts and regimens that were not approved by the FDA. This included using the drugs to treat chronic anemia as well as anemia caused by cancer, chronic disease, and myelodysplastic syndrome. Amgen allegedly violated the Anti-Kickback Statute and False Claims Act by improperly remunerating health care providers for the purpose of influencing their selection and use of Amgen’s drugs, regardless of whether the product was administered, reimbursable by federal health care programs or medically necessary. Additionally, Amgen allegedly inaccurately reported average sales prices, best prices and average manufacturer’s prices for their drugs. Amgen’s marketing materials indicated that Amgen’s misbranding of Aranesp was a core business strategy to gain market share from its competitors. Amgen formed an agreement with AmerisourceBergen Corporation subsidiary International Nephrology Network (renamed Integrated Nephrology Network) to execute an aggressive off-label marketing campaign of Aranesp. The investigation disclosed claims of illegal kickbacks to influence health care provid-

ers’ selection of Aranesp for treatment of kidney disease.

**Result:** On Dec. 12, 2012, the Department of Justice entered into a civil settlement agreement with Amgen, in which the company agreed to pay \$612 million to settle the allegations of fraud and to enter into a corporate integrity agreement with HHS. On Dec. 13, 2012, the Department of Justice entered into a civil settlement agreement with INN, in which INN agreed to pay \$15 million to settle allegations of fraud. On Dec. 18, 2012 Amgen pleaded guilty to introduction into interstate commerce of a misbranded drug. On Dec. 19, 2012, Amgen was ordered to pay a fine of \$136 million, \$14 million in criminal forfeitures and to sign a corporate integrity agreement with HHS. TRICARE will receive approximately \$1.4 million from the two settlements.

## \$30 Million Settlement by Blackstone Medical to Resolve Allegations of False Claims

**Overview:** A joint investigation with the FBI and HHS OIG disclosed that Blackstone Medical Inc., a subsidiary of Orthofix, allegedly paid kickbacks to orthopedic surgeons to induce them to use Blackstone’s line of spinal implant products. Blackstone allegedly provided false consulting agreements, research grants, entertainment, travel and other illegal incentives in order to induce physicians and other health care providers to use Blackstone surgical devices, implants and instrumentation products. This was a qui tam suit.

**Result:** On Oct. 29, 2012, the Department of Justice entered into a civil settlement agreement with Blackstone, in which the company agreed to pay \$30 million to settle the allegations of fraud. TRICARE received \$327,670 from the settlement and the qui tam relator received \$8 million.

## PAR Pharmaceuticals to Pay \$45 Million to Resolve Criminal and Civil Allegations of Drug Misbranding

**Overview:** A joint investigation with the HHS OIG disclosed that PAR Pharmaceuticals Inc. promoted the sale and use of Megace ES to physicians, long-term care facilities and other health care professionals for non-FDA approved uses. Specifically, the FDA approved Megace ES for treatment of unexplained weight loss in AIDS

patients and certain cancer patients. In spite of this limited medical indication, PAR allegedly aggressively marketed Megace ES to long-term care facilities for off-label use without regard to the patients' AIDS or cancer status, to include TRICARE beneficiaries. This was a qui tam suit.

**Result:** On Jan. 3, 2013, PAR pleaded guilty to introduction of a misbranded drug into interstate commerce and entered into a plea agreement to pay a criminal fine of \$18 million. On March 5, 2013, the Department of Justice entered into a civil settlement agreement with PAR, in which the company agreed to pay \$22.5 million to settle the allegations of fraud. The TRICARE portion of the recovery was \$984,348 and \$4.4 million was paid to the relator of the qui tam suit.

#### **\$10.1 Million Settlement by Morton Plant Mease Health Care and Affiliates to Resolve Allegations of False Claims**

**Overview:** A joint investigation with the FBI and HHS OIG disclosed that Morton Plant Mease Health Care Inc. and its affiliates allegedly submitted false claims for services rendered to Medicare and TRICARE patients. Between July 1, 2006, and July 31, 2008, Morton Plant allegedly billed for certain interventional cardiac and vascular procedures as inpatient care when those services should have been billed as less costly outpatient care or as observational status. There was a cost difference of approximately \$5,000 for each claim submitted as inpatient care versus outpatient care. This was a qui tam suit.

**Result:** On Nov. 23, 2012, the Department of Justice entered into a civil settlement agreement with Morton Plant Mease, in which the company agreed to pay \$10.1 million to settle the allegations of fraud. The relators in the case will receive approximately \$1.8 million of the settlement.

## **Illegal Technology Transfer**

DCIS serves a vital role in national security through investigations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises and terrorist organizations. This includes the illegal transfer or theft of defense technology, weapon systems and other sensitive components and programs. Consistent

with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative. DCIS is a charter member of the Export Enforcement Coordination Center, a multi-agency center established to serve as a focal point for the coordination and enhancement of government export enforcement efforts.

#### **DoD Contractor Pleaded Guilty to Illegally Attempting to Export U.S. Technology to Iran**

**Overview:** A joint investigation with the U.S. Immigration and Customs Enforcement disclosed that Gregory S. Colichio, an employee of Dal-Tech Devices Inc., doing business as Microwave Distributors, attempted to purchase and illegally export four radio frequency coaxial detectors to the Islamic Republic of Iran in violation of the International Emergency Economic Powers Act. Colichio and Dal-Tech Devices knowingly circumvented export controls and willfully attempted to export the items from the United States to Iran without the required authorization. The detectors are designated as controlled items on the U.S. Munitions List and are not authorized for sale to Iran.

**Result:** On Nov. 14, 2012, Dal-Tech Devices entered into a deferred prosecution agreement in which the company agreed to pay \$10,000 to the Department of Treasury, Office of Foreign Asset Control. On Jan. 3, 2013, Colichio was sentenced to 24 months probation. Colichio had previously pleaded guilty to violating the International Emergency Economic Powers Act by attempting to transact commerce with Iran.

#### **Taiwanese Technology Company Illegally Attempted to Use DoD Contractor to Transship U.S. Technology to Iran Through the United Arab Emirates**

**Overview:** A joint investigation with the ICE Homeland Security Investigations and Department of Commerce-Bureau of Industry and Security disclosed that Susan Yeh, an employee of a Taiwanese technology company, attempted to purchase extra-high-performance microwave pyramid absorbers, ultra-broadband microwave absorbers and multi-line low pass filter networks from a DoD contractor. Investigative efforts showed Yeh, acting as a broker, was attempting to transship U.S. man-



DCIS investigated Morton Plant Mease Health Care Inc. for alleged false claims.

# Core Mission Areas



A DCIS investigation prevented U.S. technology from being exported to Iran.

ufactured items to Iran through the United Arab Emirates and Taiwan. The attempted purchase and shipment was in violation of the International Emergency Economic Powers Act and the Iranian Transaction Regulations. The investigation showed that the items Yeh requested were on the U.S. Munitions List and on the Commodity Control List, and the shipment would violate U.S. Export Laws. On May 21, 2012, Yeh was arrested as she entered the United States.

**Result:** On Oct. 24, 2012, Yeh, after pleading guilty to one count of conspiracy to violate the International Emergency Economic Powers Act and the Iranian Transaction Regulations, was sentenced to two years confinement, followed by three years of supervised release.

## Cyber Crime and Computer Network Intrusions

DCIS investigates cyber crime, including computer network intrusions. DCIS also provides digital exploitation and forensics services in support of traditional investigations. The Cyber Crime Program focuses primarily on the compromise and theft of sensitive defense data contained in government and DoD contractor information systems. In addition, there is a particular focus on instances where contract fraud by DoD information technology contractors has been a factor in either the penetration of DoD networks or the loss of DoD information. The DCIS Cyber Crime Program assigns experienced agents fulltime to cyber-related investigations and the exploitation of digital media seized as evidence during all investigations. The program recently deployed a wide-area network examination cloud to improve DCIS capabilities by allowing the collaborative review of digital media during investigations.

### Romanian Hacker Sentenced to Prison for Attack on Pentagon Website

**Overview:** A joint investigation with the USACIDC, FBI and NASA OIG determined

that Cernaianu Manole Razvan, also known as “Tinkode,” knowingly attacked the U.S. Armed Forces Information Services website, <http://pentagon.afis.osd.mil>. On Jan. 5, 2011, Razvan effectively took the website offline in a denial-of-service attack. The AFIS website is maintained and hosted by the Offices of the Assistant Secretary of Defense for Public Affairs. A denial-of-service attack is designed to overwhelm a computer or information system with electronic requests for information. The victim computer becomes unable to respond to legitimate user requests, and may experience total system failure. The attacks can be network-based, wherein the victim computer receives thousands of internet requests every second, or they can be executed via malicious software that infects the victim computer and overwhelms its processors. These denial of service attacks not only render the affected system ineffective, but also impose substantial costs due to lost productivity and the cost of response and remediation. In addition to the attack on the Pentagon, Razvan attacked computer servers owned by the U.S. Army, NASA and Oracle. Through coordination with the Department of Justice Computer Crimes and Intellectual Property Section and the Department of Justice Office of International Affairs, DCIS and its partner agencies worked with the Romanian Ministry of Administration and Interior and the Romanian National Police to resolve the case.

**Result:** Previously Cernaianu Manole Razvan was convicted in Romanian court of unauthorized computer intrusion, altering of computer data, unauthorized damages to a computer system and distributing software that can be used to commit those crimes. On Sept. 26, 2012, Razvan was sentenced in Romanian court to two years in prison, which was suspended, and four years probation. Razvan was also ordered to pay restitution to the following entities: \$59,002 to Oracle, \$52,575 to NASA, \$5,025 to U.S. Army, and \$7,348 to DoD.

The following cases are highlights of inspections, assessments and evaluations conducted by DoD IG in the following categories:

- Health and safety.
- Joint warfighting and readiness.

## Health and Safety

DoD IG has identified health care as one of the critical management and performance challenges facing the Department. The military health care system provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Of special concern is the proper care and support to the thousands of soldiers, sailors, airmen and Marines wounded due to combat actions in Operations Iraqi and Enduring Freedom.

Medical care required by military personnel is expected to increase in the next several years, especially in the areas of rehabilitation and transition care. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care but that DoD health care dollars are spent wisely and prudently.

DoD IG supports this priority by focusing its oversight efforts on preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

### Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable Afghanistan National Security Forces Medical Logistics at the Dawood National Military Hospital

**Overview:** Built in the early 1970s by the Soviet Union, the Dawood National Military Hospital resides on a seven-acre medical campus that encompasses the eight-story hospital, an outpatient complex, the Armed Forces Academy of Medical Sciences, a garrison support facility and a logistics complex that includes a medical warehouse. NMH is under the command of the Afghan National Army surgeon general and is managed by an Afghan National Army Hospital

commander and staffed by ANA medical personnel. As of July 2012, there were approximately 260 patients hospitalized in the NMH. During the fall of 2010, DoD IG became aware of potential problems with the accountability and distribution of pharmaceuticals at the NMH and within the ANA, and management issues specifically at the NMH. Accordingly, DoD IG conducted several audits and assessments of the ANSF health care system, which included visits to NMH in 2010 and 2011. This report is the fourth in a series of reports focusing on the development of a sustainable medical logistics and health care capability in support of the ANSF.

**Findings:** DoD IG found that development of NMH had advanced in the areas of planning and mentoring, leadership and management, logistics and patient care, specifically with respect to:

- Establishment of a strategic plan to develop the Afghan National Security Forces health care system jointly with Afghan ministries and ANSF.
- Strengthened personnel accountability and patient care procedures.
- Inventory accountability and control measures instituted for medical supplies.
- Improved patient care and nutrition.
- Medical mentors receiving pre-deployment training.

**Result:** Significant challenges remain, which include:

- Assignment of additional nursing personnel to patient wards based on the demands for nursing services.
- Increasing the number of trained pharmacists assigned to the pharmacy.
- Improving the distribution of medical equipment to ensure patient care areas with the greatest need have the necessary equipment to provide safe and effective patient care.
- Developing policies and procedures to ensure that the transfer and acceptance of ANSF patients from U.S. and coalition hospitals is conducted properly.

Furthermore, DoD IG identified additional issues which not only affect the NMH but the entire ANSF health care system, including limited capability for medical equipment maintenance and repair, and the lack of a sustainable procure-

## Inspections



DoD IG audited Afghanistan National Security Force health care system.

ment process for cleaning supplies, including disinfectants.

**Report No. DODIG-2013-053**

## Joint Warfighting and Readiness

DoD IG has identified joint warfighting and readiness, and training and equipping the Iraq and Afghan National Security Forces as critical management and performance challenges facing the Department. While the Department is continuing to equip the Iraq Security Forces through the Office of Security Cooperation-Iraq, operating under Chief of Mission authority at the U.S. Mission-Iraq, it is also engaged in the mission to train, equip and mentor the Afghan National Security Forces.

Between now and the completion of the scheduled drawdown of combat forces at the end of 2014, DoD will continue training, equipping, partnering and mentoring the ANSF to enable it to assume the leading security operations role.

### Assessment of U.S. Government and Coalition Efforts to Develop the Afghan National Army Command, Control, and Coordination System

**Overview:** Command and control is the exercise of authority and direction by a commander over subordinate military forces in the accomplishment of a mission. Through C2, commanders assess the situation, make decisions, and direct actions. However, commanders cannot exercise C2 alone; they must perform these actions through a C2 system including the arrangement of personnel, information management, procedures, equipment and facilities. An effective C2 system is essential for commanders to conduct

(plan, prepare, execute and assess) operations that accomplish the mission.

**Findings:** Extensive U.S. and coalition efforts to develop Afghan National Army C2 had produced a marginally sufficient capability that was adequately resilient to provide minimal essential support for transition to Afghan lead in plans and operations by 2014. However, U.S. and coalition enablers would still be required to ensure momentum for and execution of the planned transition.

**Result:** While ANA C2 structures are emerging and developing it is hindered by a host of multifaceted challenges including limited command authority to remove ineffective senior officers; logistical impediments that limit the ANA's operational independence; limited capacity for both human capital and physical infrastructure to integrate complex technology and automation; and a significant reliance on U.S. and coalition enablers, such as aviation, signals, intelligence and engineering.

**Report No. DODIG-2013-058**

### Assessment of Afghan National Security Forces Metrics--Quarterly

**Overview:** DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports will be produced separately for the Afghan National Police and the Afghan National Army.

**Findings:** The fourth report, providing an overview of the development of the Afghan National Army, was released Feb. 20, 2013.

**Result:** This report is classified.

**Report No. DODIG-2012-034.4**

DoD IG provides policy, guidance and oversight to audit and investigations within DoD. DoD IG also provides analysis and comments on all proposed draft DoD policy issuances, as well as conducts technical assessments of DoD programs and provides engineering support for other assessments.

## Audit Policy and Oversight

DoD IG provides audit policy direction, guidance and oversight for its auditing component; the military departments' audit organizations, the Defense Contract Audit Agency, other defense audit organizations and public accounting firms under the Single Audit Act. As such, DoD IG provides guidance and oversight for more than 6,700 DoD auditors in 22 DoD audit organizations, which is nearly 40 percent of all auditors in federal inspector general audit organizations.

### Actions to Align Defense Contract Management Agency and Defense Contract Audit Agency Functions

**Overview:** DoD IG evaluated actions taken by DoD officials to align the Defense Contract Management Agency and the Defense Contract Audit Agency functions by increasing the dollar thresholds a contractor proposal must meet before a contracting officer can request a DCAA audit. DoD IG evaluated the factors DoD officials considered in making the decision as well as controls established to ensure the change in dollar thresholds adequately protects the interests of the Department and taxpayer.

**Findings:** The Office of Defense Procurement and Acquisition Policy did not perform a business case analysis to support the decision to revise Defense Federal Acquisition Regulation Supplement Procedures Guidance and Instructions 215.404-2(c). The decision will cost the Department and taxpayers \$249.1 million per year in lost potential return on investment from DCAA contract audits. Had DPAP evaluated rates of return across the DCAA audit portfolio, DPAP could have achieved the same results by redirecting DCAA resources from low-risk audits and services to higher risk areas of the portfolio. DoD IG also found that DCAA

had not implemented a risk-based audit planning process as recommended by the Defense Business Board and that DCMA is not prepared to perform contract cost analysis in place of a DCAA audit and that DCMA cannot reliably report performance. Additionally DPAP did not demonstrate that DCMA has a probable chance to replicate the \$249.1 million in potential return on investment identified by DCAA and that DPAP did not demonstrate why they chose to direct Department and taxpayer resources to DCMA to perform a job DCMA was not prepared to perform when DCAA had existing infrastructure in place to get the job done.

**Result:** DoD IG recommended that DCAA implement a risk based audit planning process based upon achieving higher rates of return to the taxpayer and other high risk factors and that DPAP re-instate the pre-Sept. 17, 2010, thresholds for requesting DCAA audit as soon as practical until such time as a business case analysis can support a policy change. Additionally, DoD IG recommended Defense Pricing reassess the decision to revise DoD procurement and acquisition policy and validate that the decision sufficiently considers the potential return to DoD and the taxpayers resulting for DCAA audits and other factors, and that Defense Contract Management Agency proceed with scheduled corrective actions regarding case file documentation and information system reliability.

**Report No. DODIG-2013-015**

### Quality Control Review of the Defense Finance and Accounting Service Audit Organization

**Overview:** Generally accepted government auditing standards require audit organizations performing GAGAS-compliant audits to undergo an external quality review at least once every three years. DoD IG performed a review of Defense Finance and Accounting Service audit organization covering a one-year period that ended June 30, 2011.

**Findings:** DoD IG identified significant deficiencies in the DFAS audit organization's compliance with its system of quality control, including the failure to exercise sufficient professional judgment. DFAS was issued a fail opinion on its audit organization's system of quality control. Federal audit organizations can receive a rating of pass, pass with deficiencies or fail.

## Policy And Oversight

“The decision will cost the Department and taxpayers \$249.1 million per year in lost potential return on investment from DCAA contract audits.”

**Result:** The DoD IG review concluded that the DFAS audit organization did not comply with GAGAS and their system of quality control for audits for the review period that ended June 30, 2011. DoD IG determined that the system of quality control did not provide reasonable assurance that DFAS audit personnel were following established guidance, policies, procedures and applicable audit standards. Thirteen recommendations were made to correct the noted deficiencies. The DFAS concurred with 12 of the 13 recommendations.

**Report No. DODIG-2013-047**

## Investigative Policy and Oversight

DoD IG evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community, as well as the noncriminal investigative offices of DoD.

“DoD IG reviewed 482 criminal investigations involving 676 investigative subjects or suspects, dating back approximately 20 years.”

### Review of DoD Response to Noncompliant Crime Laboratory Analyses

**Overview:** At congressional request, DoD IG reviewed misconduct allegations against Phillip R. Mills, a forensic analyst at the USACIDC, to determine (1) whether suspects involved in criminal investigations in which Mills performed laboratory analyses were properly notified in accordance with requirements and (2) if the FBI was properly notified about nonconforming tests, and data included in the Combined DNA Index System were verified or expunged, as appropriate. DoD IG reviewed 482 criminal investigations involving 676 investigative subjects or suspects, dating back approximately 20 years.

**Findings:** DoD IG found that no law, rule or regulation specifically required the services to notify individuals about possibly compromised DNA evidence developed in their cases. The Army did forward two USACIL notifications to Army trial and defense counsel alerting them to the issues and cases involved. Although stressing the notifications met all requirements, the Army planned a courtesy letter notification to all possibly affected individuals in Army cases. The Navy and Air Force notified or attempted to notify all possibly affected individuals in their cases. The Army ultimately verified or expunged Mills-related data from CODIS. However, seven DNA

profiles generated from retesting evidence found in an unsecured USACIL refrigerator years after Mills resigned, were deleted only due to the DoD IG continuing concerns about chain of custody and controls of the evidence involved.

**Result:** The review found that each service developed separate, ad hoc processes for identifying individuals and completing notifications. Standard policy or guidance would have ensured individuals were treated consistently across the services. As such, DoD IG recommended that the DoD general counsel develop and implement standard DoD guidance to govern post-conviction notifications. In addition, DoD IG recommended that the Army complete its planned courtesy notifications to the individuals DoD IG identified as punished in Army cases involving Mills and meriting notification. This report is FOUO.

**Report No. DODIG-2013-033 (FOUO)**

### Evaluation of the Military Criminal Investigative Organizations’ Sexual Assault Investigation Training

**Overview:** DoD IG evaluated the military criminal investigative organizations sexual assault investigation training to determine whether it adequately supports the Department. The evaluation focused on three questions (1) what sexual assault investigation training do the MCIOs provide?, (2) how do the MCIOs ensure that sexual assault investigation training is effective? and (3) how do the MCIOs leverage their resources and expertise?

**Findings:** Each MCIO provides initial baseline, periodic refresher and advanced training in sexual assault investigation. The training is given to assigned criminal investigative personnel who may conduct sexual assault investigations. Between MCIOs the training hours devoted to initial baseline training tasks varied. Further, NCIS initial baseline training materials did not cover four required essential training subtasks. All MCIO training academies measure the effectiveness of initial and advanced training courses, and they use the results to adjust training content to increase effectiveness. Conversely, the MCIOs do not measure the effectiveness of periodic refresher training. USACIDC has attempted to consolidate MCIO advanced sexual assault investigation training. USACIDC and NCIS share

highly qualified subject matter experts to assist with training course development and delivery. Also, USACIDC assisted NCIS by instructing at their advanced sexual assault investigation training course.

**Result:** DoD IG recommended:

- The director, NCIS, ensure lesson materials for initial sexual assault investigation training covers all essential training tasks.
- The director and commanders of the MCIOs form a working group to review (1) initial baseline sexual assault investigation training programs to establish common criteria and minimum requirements, (2) periodic refresher sexual assault investigation training programs to establish common criteria and minimum requirements for measuring effectiveness and (3) advanced sexual assault investigation training programs to further capitalize on efforts to leverage training resources and expertise.

**Report No. DODIG-2013-043**

## Criminal Investigative Policy

On Jan. 25, 2013, DoD IG issued a new DoD instruction that establishes policy, assigns responsibilities and provides procedures for the investigation of adult sexual assaults within the DoD. DoD instruction 5505.18; Investigation of Adult Sexual Assault in the Department of Defense, expands the roles and responsibilities of the military criminal investigative organizations when conducting adult sexual assault investigations. The issuance provides overarching investigative guidance and details advanced training requirements for MCIO investigators. The issuance also requires MCIOs to investigate all allegations of sexual assault and for the investigators to work in partnership with the sexual assault response coordinator to ensure system accountability and victims' access to services.

## Technical Assessments

DoD IG performs expert technical assessments that affect improvements in defense system acquisition, operation and sustainment by proactively addressing issues of concern to Congress, DoD and the public.

## Assessment of the USAF Accident Investigation Board Report on the F-22A Mishap of November 16, 2010

**Overview:** DoD IG reviewed the Air Force Aircraft Accident Investigation Board report on the F-22A mishap of Nov. 16, 2010, for adherence to the procedures set forth in Air Force Instruction 51-503, Aerospace Accident Investigations. DoD IG assessed whether the board's conclusions were supported by facts consistent with the standards of proof established by the instruction.

**Findings:** The board's statement of opinion regarding the cause of the mishap was not supported by the facts within the Accident Investigation board report consistent with the clear and convincing standard of proof established by the instruction. The Board's report contained the following deficiencies:

- The report cited three causal factors (channeled attention, breakdown of visual scan and unrecognized spatial disorientation) as the cause of the F-22 mishap. However, these three factors are separate, distinct and conflicting. The board's report did not clearly explain their interrelationship and how it is possible that all three factors concurrently caused the mishap. Failure to adequately explain this interrelationship calls into question the board's statement of opinion regarding the cause of the mishap.
- The report's determination that the mishap pilot's mask was in the full up position throughout the mishap sequence was not adequately supported by the summary of facts or by the analysis cited in the report's enclosures. This determination directly affected several conclusions of the board and precluded the analysis of other potential causes of the mishap. Failure to provide adequate facts or analysis to support this determination calls into question the board's finding. The report's noncontributory portion of the human factors section inadequately analyzed the human factors listed, such as hypoxia, gravity-induced loss of consciousness, and sudden incapacitation, but did not contain any references and/or supporting documentation. Without detailed analysis and proper documentation, it is unclear how the board determined



DoD IG assessed the USAF board report on the F-22 mishap.

that these factors did not contribute to the mishap.

- The report lacked detailed analysis of several areas, such as the Emergency Oxygen System activation as well as the physiological reactions to lack of oxygen.
- Of the 109 references in the board's report summary of facts, 60 of those references were either incorrect or did not direct the reader of the report to the information cited in the paragraph.

**Result:** DoD IG recommended that the judge advocate general of the Air Force reevaluate the board's report and take appropriate action in light of the DoD IG findings regarding the board's report statement of opinion and other deficiencies.

**Report No. DODIG-2013-041**

## Administrative Investigations

DoD IG administrative investigations consists of the following areas:

- DoD IG investigates allegations of whistleblower reprisal filed by military members, appropriated fund and nonappropriated fund civilian employees, defense contractor employees; and improper command referrals of service members for mental health evaluations.
- DoD IG investigates and conducts oversight reviews of investigations conducted by the service/defense agency IGs into allegations of senior official misconduct.

## Whistleblower Reprisal Investigations

DoD IG is committed to maintaining the whistleblower protection program as a model for the federal government by improving the timeliness and quality of reprisal investigations. During the reporting period, DoD IG implemented numerous enhancements to include:

- Completed the revision of investigative report templates.
- Renewed emphasis on the Council of the Inspectors General on Integrity and Efficiency's quality standards for investigations, to include incorporation of standards into oversight reviews.

- Expanded the outreach program and provided robust training to DoD IG and component IG staff.
- Collaborated and shared best practices with other members of the inspector general and federal whistleblower protection community.
- Filled several new positions focused on administration, policy and outreach, and several key investigative vacancies to address the ever-increasing number of whistleblower reprisal complaints filed with DoD IG and the military services.

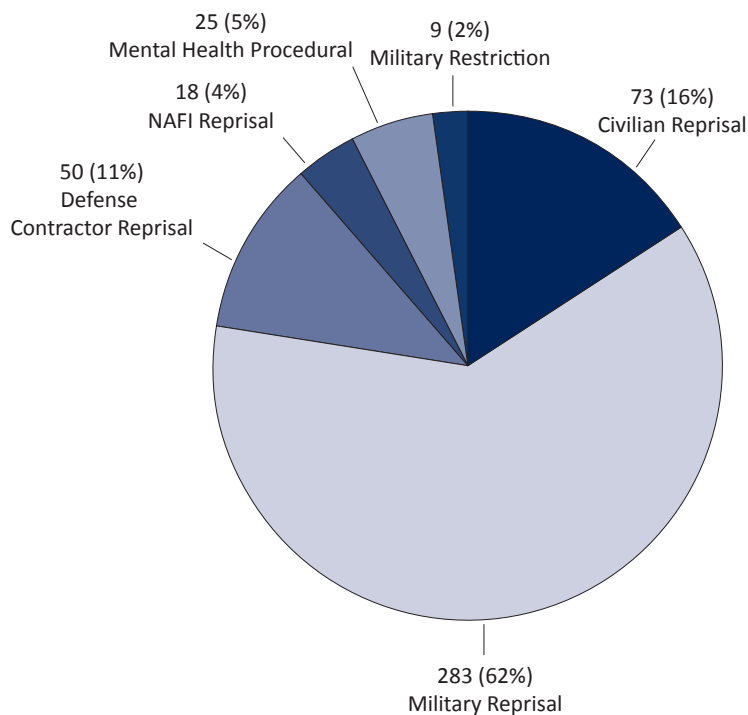
During the reporting period, the department received 458 complaints involving reprisal, restriction from communicating with a member of Congress and inspector general, and procedurally improper mental health evaluation referrals. Of the 278 complaints closed, 199 were dismissed due to insufficient evidence to warrant an investigation, 13 were withdrawn and 66 were closed following full investigation. Of the 66 investigations closed, 10 involved procedurally improper mental health evaluation referrals (six substantiated [60 percent]), one involved restriction from communicating with a member of Congress and inspector general (substantiated) and 55 involved whistleblower reprisal (three substantiated [5 percent]).

**Substantiated      Whistleblower      Reprisal/  
Restriction/Procedurally      Improper      MHE  
Allegations**

- An Army Reserve officer serving as an inspector general disapproved a subordinate IG's previously approved request for a one-year tour extension and operational deployment to Afghanistan after the subordinate made a protected communication. The subordinate IG had complained of possible professional misconduct and inadequate legal support by his supporting staff judge advocate office. The legal officer was removed as an inspector general. Further corrective action is pending.
- An Air Force staff sergeant received a letter of counseling from his supervisors in reprisal for complaining to his commander about tobacco use in government buildings and vehicles, safety violations, and

poor military bearing and discipline. He also received a lowered enlisted performance report after reporting the same violations to his local equal opportunity and IG offices. His supervisors, a technical sergeant and a master sergeant, each received letters of admonishment for their actions.

Figure 2.1 Complaints Received During FY 2013



- An Army National Guard lieutenant colonel, who was the battalion commander, reprimed against a major under his command by issuing an adverse counseling and threatening him with action under the Uniform Code of Military Justice after the major alleged the lieutenant colonel was engaged in inappropriate relationships with soldiers he commanded. An independent investigation substantiated the inappropriate-relationship allegations against the lieutenant colonel. Corrective action included removal from command, release from active duty status and placement in the retired reserves.
- An Air National Guard colonel took three personnel actions against a Title 32 chief master sergeant in reprisal for his protected communication (1) denied training, (2) terminated duty orders and (3) denied reenlistment. The chief master sergeant made allegations to his chain of command that an order to attend weekend drills while on active duty orders was illegal. Corrective action pending.
- An Air Force group commander attempted to restrict two members of his unit from contacting their congressional representatives or an IG when he issued a memorandum to both, stating they could only

contact a chaplain or physician concerning an ongoing investigation. The group commander received a verbal counseling concerning the importance of not restricting service members from making protected communications.

- Three naval officers reprimed against a reserve lieutenant for making protected communications when they issued multiple unfavorable personnel actions including removal, early demobilization and an adverse evaluation report. Actions taken by the naval officers may have contributed to the lieutenant not being promoted and contributed to a requirement to meet a board of inquiry. DoD IG recommended the secretary of the Navy take action to remove the adverse evaluation report and otherwise correct the complainant's file. DoD IG further recommended the Navy consider taking appropriate action against the responsible management officials. Corrective action is pending.

# Core Mission Areas

## Corrective Action Taken during First Half of FY 2013 on Military Whistleblower Cases Closed in Previous Reporting Periods

- An Air Force Reserve major general received a general officer letter of reprimand and was released from active duty status while being placed in the Individual Ready Reserve for removing a colonel from position after the colonel testified in a commander-directed inquiry.
- An Air National Guard major general received a general officer letter of reprimand and was relieved of command for (1) removing a member of his unit from his position and then forcing him to retire after the member filed a congressional complaint and (2) for separating a second member for filing several IG complaints.
- A government contractor was ordered by the U.S. Army Corps of Engineers to pay an employee the sum of \$59,633.26 for back wages and other damages after a DoD IG investigation determined the employee was terminated for making protected disclosures to government personnel.
- An Army colonel received a general officer memorandum of reprimand, was relieved of command and given a referred officer evaluation report for denying an in-place consecutive overseas tour and issuing a lowered officer evaluation report rating to a subordinate who made allegations of misconduct by his commander to the chain of command.
- An Air National Guard lieutenant colonel was relieved for cause and retired for threatening to court-martial and separate a member from the Active Guard Reserve program because the member made protected communications to senior leadership.

Figure 2.2 Complaints Closed During First Half of FY 2013

## Reprisal, Restriction and Mental Health Procedural Complaints Closed During First Half FY 2013

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated	Substantiation Rate
Type of Complaint	Closed by DoD IG					
Civilian Reprisal	47	43	1	3	0	0%
Military Reprisal	65	58	0	7	1	14%
Defense Contractor Reprisal	53	49	1	3	0	0%
NAFI Reprisal	17	12	2	3	0	0%
Reprisal Subtotal	182	162	4	16	1	6%
Mental Health Procedural	3	2	0	1	1	100%
DoD IG Total	185	164	4	17	2	12%
Type Complaint	Closed by Component IG with Oversight Review by DoD IG					
Military Reprisal	83	35	9	39	2	5%
Reprisal Subtotal	83	35	9	39	2	5%
Military Restriction	1	0	0	1	1	100%
Mental Health Procedural	9	0	0	9	5	56%
Components Total	93	35	9	49	8	16%
Grand Totals	278	199	13	66	10	15%

## Investigations of Senior Officials

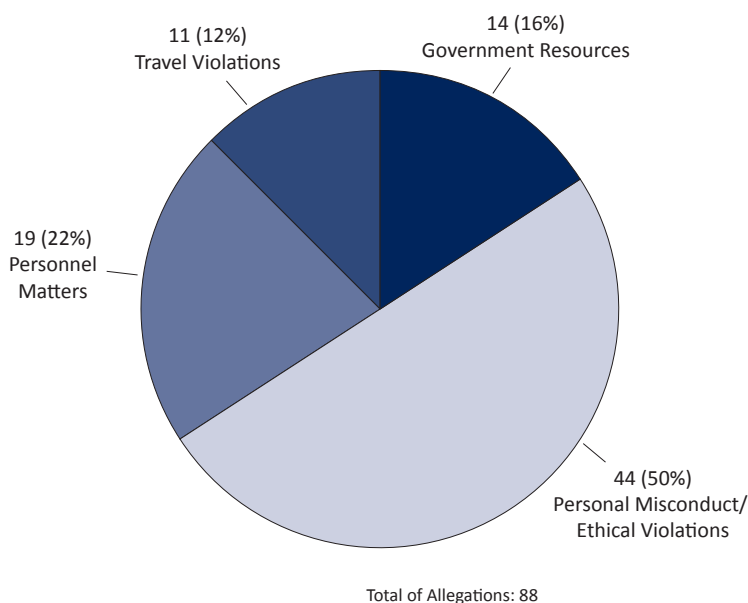
To promote public confidence in the integrity of DoD leadership, DoD IG conducts or provides oversight on all investigations into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service and senior political appointees). Misconduct allegations are non-criminal in nature and typically involve ethics or regulatory violations. Specialized units within each military department office of inspector general conduct the majority of senior official investigations. DoD IG investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents), senior officials in the joint or defense intelligence community and allegations not suitable for assignment to service IGs. DoD IG conducts oversight reviews of service/defense agency investigations of misconduct involving one- and two-star general/flag officers and equivalents. During the reporting period, DoD IG processed 5,279 senior official name checks for general/flag officers pending nomination, promotion, retirement and reassignment.

DoD IG provides oversight of military department and agency IG investigations involving senior DoD officials.

During the reporting period, DoD IG conducted several sensitive investigations that directly affected the Department. In one instance, DoD IG did not substantiate allegations of an inappropriate relationship against a Marine commanding general. In every instance, DoD IG expertly investigated the facts and circumstances of the case and presented a timely and independent report of investigation to management officials for appropriate action.

The Department received 237 complaints of senior official misconduct and closed 256. Of the 256 complaints closed, 106 were dismissed due to lack of a credible allegation of misconduct and 150 were closed following investigation. Of the 150 investigations closed, 17 were closed by DoD IG and 133 were closed by service IGs with oversight by DoD IG. Of the 150 investigations

Figure 2.3 Types of Substantiated Misconduct



closed, 47 (31 percent) contained substantiated allegations of misconduct.

### Examples of Substantiated Senior Official Cases

The following is a list of substantiated senior official cases:

- A member of the senior executive service misused his subordinates by having them perform personal services, improperly authorized the use of administrative leave for employees to participate in a golf tournament and engaged in a prohibited personnel practice by providing preferential treatment to a subordinate.
- An SES improperly arranged air travel on noncontract, city-pair carriers and misused his public office for the private gain of someone with whom he was affiliated in a nongovernmental capacity.
- An SES engaged in unprofessional conduct in the workplace by discussing personal medical issues with subordinates and speculating about a subordinate's sexual orientation to a subordinate of the opposite sex; misused government resources by directing two contractor employees to plan, organize and execute two social events in the office; misused public office for private gain by soliciting and accepting gifts from prohibited sources; and failed to comply with the

# Core Mission Areas

ethical standards set forth in the Joint Ethics Regulation by promising two subordinates a position when next filled.

- An SES used her government travel charge card for unauthorized personal use.

Figure 2.4 Senior Official Complaints Closed During FY 2013

## Senior Official Complaints Closed in FY 2013

	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
Senior Official's Affiliation	Closed by DoD IG				
Army	39	35	4	0	0%
Navy	12	10	2	0	0%
Air Force	20	17	3	0	0%
Marine Corps	5	4	1	0	0%
COCOM/Defense Agency	47	40	7	4	57%
Subtotal	123	106	17	4	24%
Senior Official's Affiliation	Closed by Component IG with Oversight Review by DoD IG				
Army	66	0	66	22	33%
Navy	16		16	3	19%
Air Force	33		33	9	27%
Marine Corps	5		5	1	20%
COCOM/Defense Agency	13		13	8	62%
Subtotal	133		133	43	32%
TOTALS	256	106	150	47	31%

# Enabling Mission Areas



## Congressional Testimony and Briefings

Section 4(a) of the Inspector General Act of 1978, as amended, requires the inspector general “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” DoD IG provides information to Congress by participating in congressional hearings and briefings.

### Hearings

Principal Deputy Inspector General Lynne Halbrooks testified March 19, 2013, before the House Oversight and Government Reform Committee at a hearing titled, “DoD and DHS: Implementing Agency Watchdogs’ Recommendations Could Save Taxpayers Billions.” The testimony focused on the status of reports with pending action, which include recommendations that have not yet been implemented, as well as opportunities to improve efficiencies within the Department.

### Meetings with Congressional Members and Staff

During the reporting period, the inspector general and representatives of DoD IG had 65 meet-

ings with members of Congress and their staffs. Topics of discussion during those meetings included issues such as discussing the plan developed for the IG community reviews required by the Reducing Over-Classification Act, pending legislative taskings, ongoing assessments in Southwest Asia and an audit on the cost and availability of G222 spare parts.

### Congressional Requests

During this reporting period, DoD IG received 123 new congressional inquiries and closed 94, including a report on noncompliant crime laboratory analyses based on allegations that a forensic analyst at the U.S. Army Criminal Investigation Laboratory allegedly falsified critical test results, an audit on Antideficiency Act violations in military personnel accounts, and oversight of coalition efforts to improve health care conditions at the Dawood National Military Hospital.

New inquiries involved issues such as inquiries on proposed legislative changes related to reprisal investigations, requests related to senior official investigations and concerns about the Department’s implementation of IG recommendations.



Halbrooks testified before the House Oversight and Government Reform Committee.

The DoD Hotline is a confidential and reliable vehicle for military service members, DoD civilians, contractors and the public to report allegations of fraud, waste and abuse, threats to homeland security and trafficking in persons related to programs and personnel under the purview of the Department of Defense.

Figure 3.1 Contacts received in FY 2013

16,615 contacts received in FY 2013 to date
4,561 cases in open status.
1,803 cases opened.
22 cases received through congressional channels.
105 cases received through the GAO.

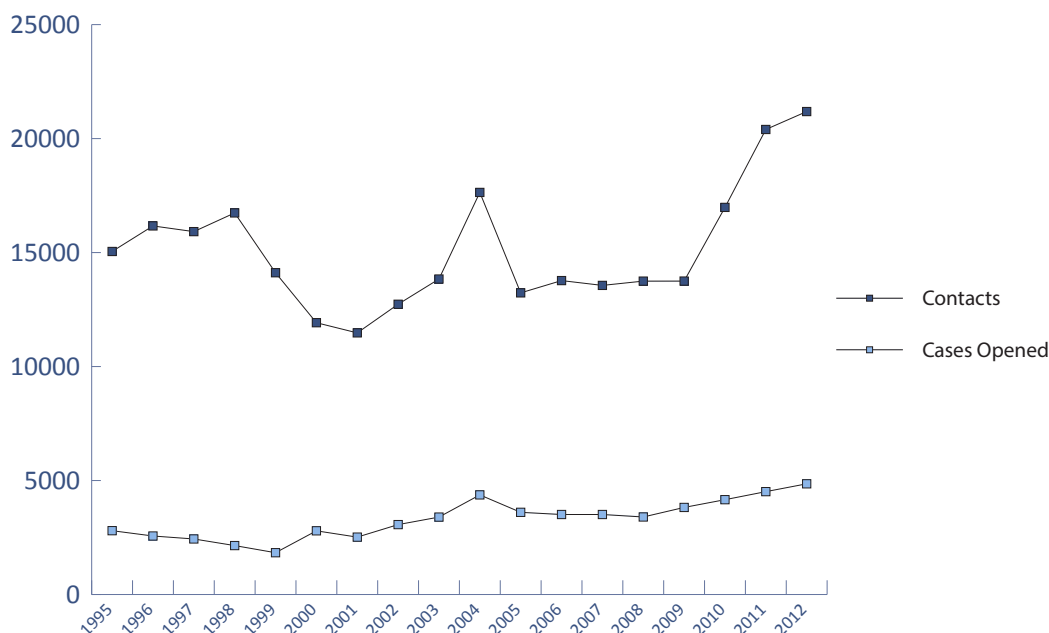
## Substantiated Allegations

- A unit administrator used her position to manipulate the orders process and allow a reservist to be called to active duty without a valid need or authorization. When members of the assigned unit were questioned, no one had knowledge of the individual ever being assigned to the unit or attending drills. The reservist was court-martialed and sentenced to reduction in grade, received 45 days confinement and was fined more than

\$89,000. The unit administrator received a letter of admonishment.

- An anonymous complainant reported that during the construction of a building project, the shop foreman directed employees to remove the 'Made in China' stamps of groovelets and threadlets used for a water system. The individual admitted to directing the use of nonconforming parts in the system installed in the building. The individual was sentenced to five months incarceration with two years supervised release, ordered to pay \$22,917 in restitution, and fined \$2,000 and a special assessment of \$200. The individual was also debarred from government contracting for 28 months.
- A government contractor, working for Lucent, engaged in fraudulent activities which included submitting false claims, false test results and cost mischarging. The allegations were submitted to the DoD Hotline and resulted in a joint investigation. The government and Lucent entered into a settlement agreement wherein Lucent, with no admission of guilt, agreed to pay the government \$4,211,314. The government will pay the relator more than \$758,000 as their share of the settlement.

Figure 3.2 Number of Hotline Contacts Compared to Cases Opened 1995 through 2012



# Enabling Mission Areas

The following charts describe DoD Hotline contacts. The contacts are shown by subject, origin and type of allegations.

Figure 3.3 Subject by Type

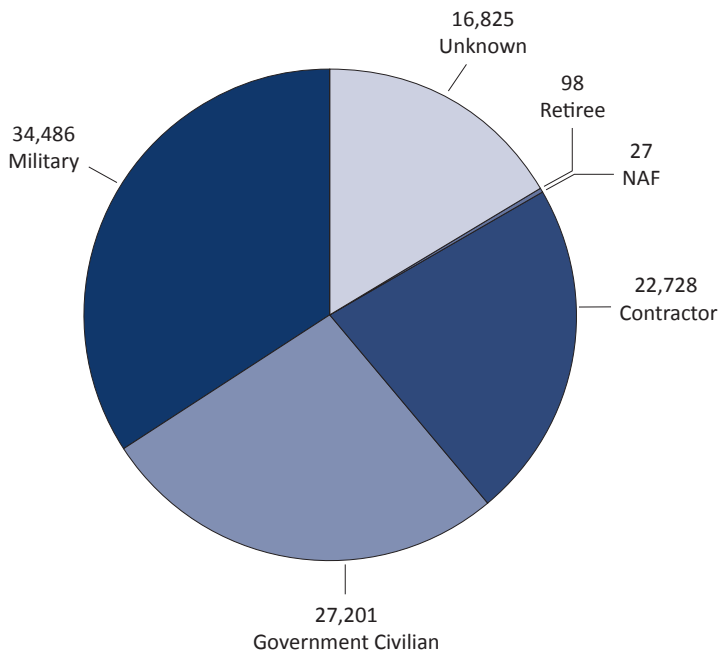


Figure 3.4 Open Cases by Origin

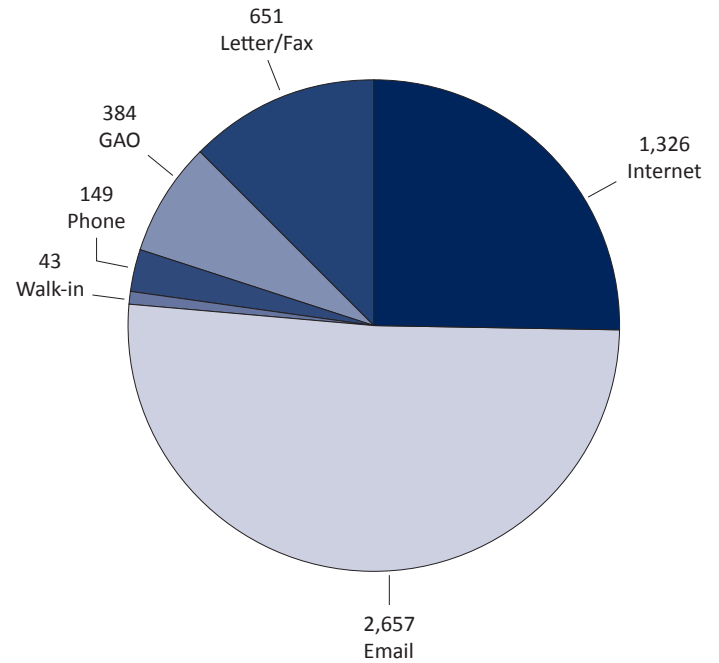
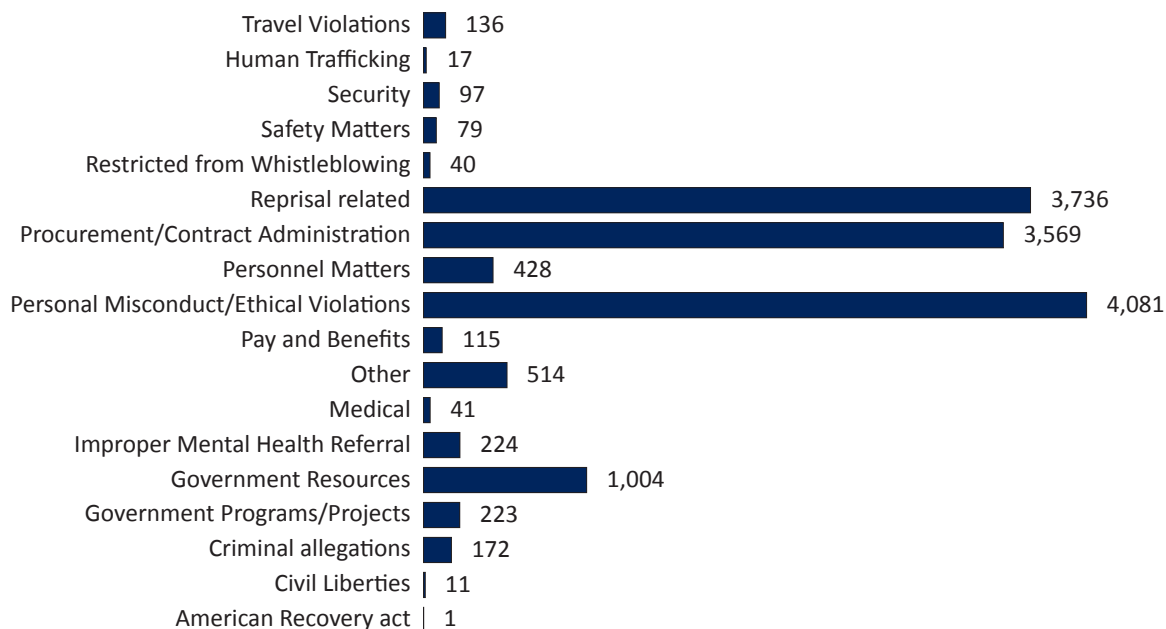


Figure 3.5 Allegations by Primary Type



The passage of the Whistleblower Protection Enhancement Act of 2012 requires inspectors general to designate a whistleblower protection ombudsman whose role is to (1) educate agency employees about prohibitions on retaliation for protected disclosures and (2) educate agency employees who have made, or are contemplating making, a protected disclosure about the rights and remedies against retaliation for protected disclosures. The director for whistleblowing and transparency was designated as the Department's whistleblower protection ombudsman in January 2013. Working through DoD Hotline outreach and training, the whistleblower protection ombudsman determined that the lead priority is standardized agency, component and field office-level training for the Department's more than 700,000 civilian employees.

Qui tam whistleblowers continue to provide the DCIS with actionable information leading to the prosecution of fraud cases. Prominent on the DCIS docket during this reporting period were the following qui tam cases:

- A JPoJ prosecution and conviction of Navy officials accepting bribes from an E2/C2 aircraft program facility at Naval Air Station North Island, Coronado in San Diego County, Calif., in which defense contractors paid more than \$1 million in bribes, in exchange for nearly \$4 million in orders
- A case settled by Golden Living Nursing Homes in lieu of prosecution, to resolve allegations brought forward, in part, by a whistleblower under the False Claims Act, namely that the TRICARE contrac-

tor mistreated patients while collecting federal funding to care for them.

- A case settled for \$30 million by Blackstone Medical, Inc., a subsidiary of Orthofix International, in lieu of prosecution, to resolve allegations brought, in part, by two whistleblowers under the False Claims Act, that kickbacks were made to doctors to induce them to use of products .

DoD IG provides protection for defense intelligence and counterintelligence employees and military members using existing authority granted under the Inspector General Act of 1978, as amended. In addition to the authority provided in the Act, the president signed Presidential Policy Directive 19 on Oct. 10, 2012, ordering the director of national intelligence to confirm the existence of policies and procedures providing whistleblower protection for members of the intelligence community by July 8, 2012. Presidential Policy Directive 19 requires agency heads and intelligence community heads to make the certifications to the director of national intelligence. In response to this important initiative, DoD IG designated the director of whistleblowing and transparency, as chair of an informal working group supporting the Department and intelligence community inspectors general preparations to meet the pending deadline. From 2012 to 2013, relevant stakeholders within the Department met to educate themselves on whistleblower protection in general and the unique aspects of that protection within the intelligence operational and analysis context.

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## Whistleblowing & Transparency

## Programs

### Subpoena Program

The DoD IG authority to issue subpoenas is based on the Inspector General Act of 1978, as amended. The Act authorizes the IGs to issue subpoenas in matters that involve fraud and abuse in Department programs and operations. Historically, most DoD IG subpoenas were issued on fraud-related matters. During 2005, DoD IG recognized the need to expand the DoD IG Subpoena Program into nonfraud related crimes such as violent crime, cyber crime, child pornography and theft of government property. During 2008, after a trial period, DoD IG made the issuance of subpoenas for certain specifically enumerated general crimes permanent.

A DoD IG subpoena request must meet three criteria (1) the subpoena can only be issued for investigations within the statutory authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, investigation or evaluation and (3) the subpoena cannot be unreasonably broad or burdensome.

Using DoD IG subpoenas is a useful procedure for legally obtaining business, personnel, finan-

cial, and state and local government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects and provide other relevant information. DoD IG issued more than 500 subpoenas each year during the past three years in support of DoD criminal investigations, audits and evaluations. During this reporting period, 309 subpoenas were issued.

### Contractor Disclosure Program

All contractor disclosures made pursuant to the Federal Acquisition Regulation shall be reported to DoD IG in accordance with the Defense Acquisition Regulation. A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to DoD IG of the existence of credible evidence that the contractor or subcontractor has committed a violation of Title 18, or Title 31, U. S. Code, in connection with the award, performance or closeout of a contract or any subcontract. During this reporting period, 86 contractor disclosures were received.

Figure 3.6 Subpoenas Issued by Type of Investigation - FY 2013

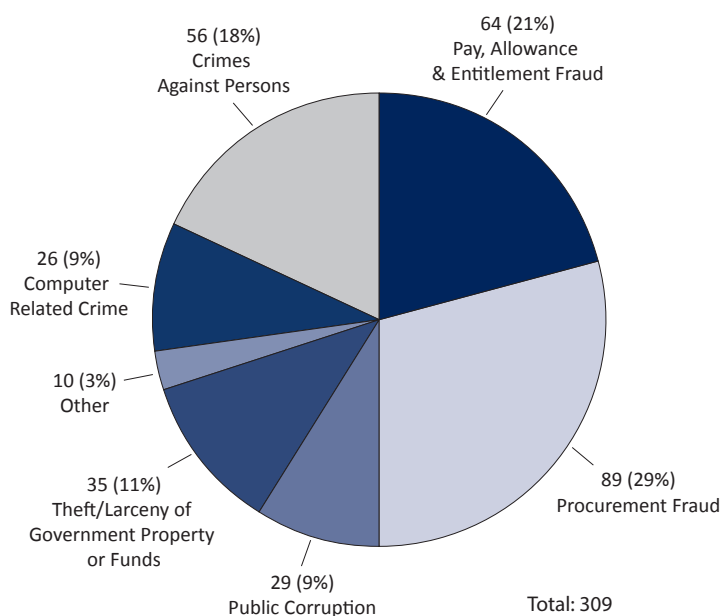
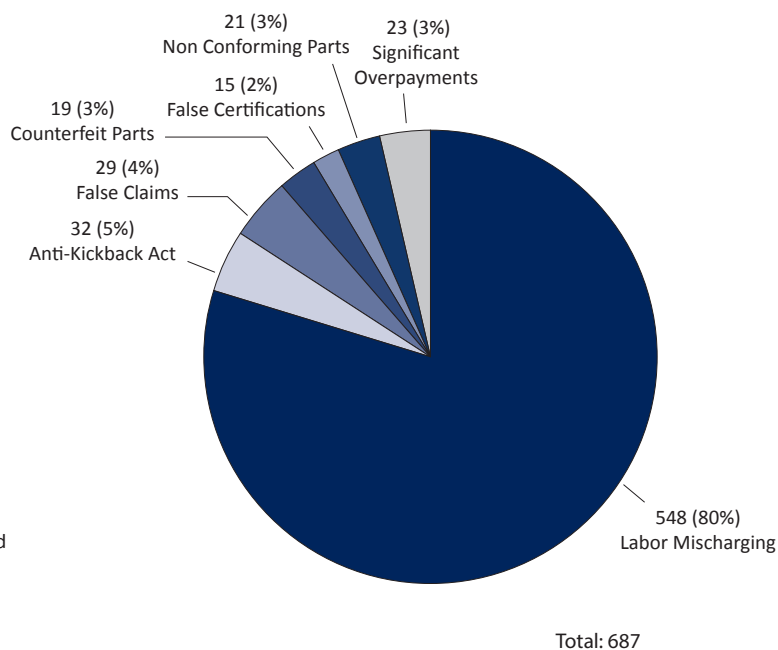


Figure 3.7 Open Contractor Disclosures



## Asset Forfeiture Program

The DCIS asset forfeiture program provides support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal informations and consent agreements when warranted by the evidence. The program's goal is to deter criminal activity by depriving criminals of property used or acquired through illegal activity both in the United States and Southwest Asia. Since the program began in May 2007, DCIS has participated in the seizure of assets totaling \$814.2 million. During the reporting period, DCIS participated in investigations that led to seizures of \$8.42 million. Additionally, DCIS participated in investigations with court orders of final forfeiture of \$7.38 million and judgments of \$4.78 million. Assets that have been seized or forfeited include cash, financial instruments, real property, vehicles and vessels.

Asset forfeiture highlights for this reporting period include a final order of forfeiture filed in November 2012, for two properties in San Antonio, Texas, and one in Canyon Lake, Texas, with a total value of \$566,730. The forfeited properties will be applied to satisfy an order of restitution for \$860,863 to the Defense Logistics Agency Disposition Services. The investigation involved an Army master sergeant, his wife and an Air Force Reserve technician. They engaged in larceny of government property from the Defense Reutilization and Marketing Office, Fort Sam Houston, Texas, to sell the goods for personal gain. The stolen items consisted of military uniforms and clothing, computers and accessories, as well as other equipment.

On March 3, 2013, a final order of forfeiture was filed containing a forfeiture money judgment of \$3.7 million and \$1.1 million in real property, vehicles and motorcycles. The investigation involved three former U.S. Army Corps of Engineers employees and two foreign contractors who were responsible for a multi-million dollar bribery scheme relating to more than \$60 million in DoD construction contracts in Iraq.

Figure 3.8 Results - Asset Forfeiture Program

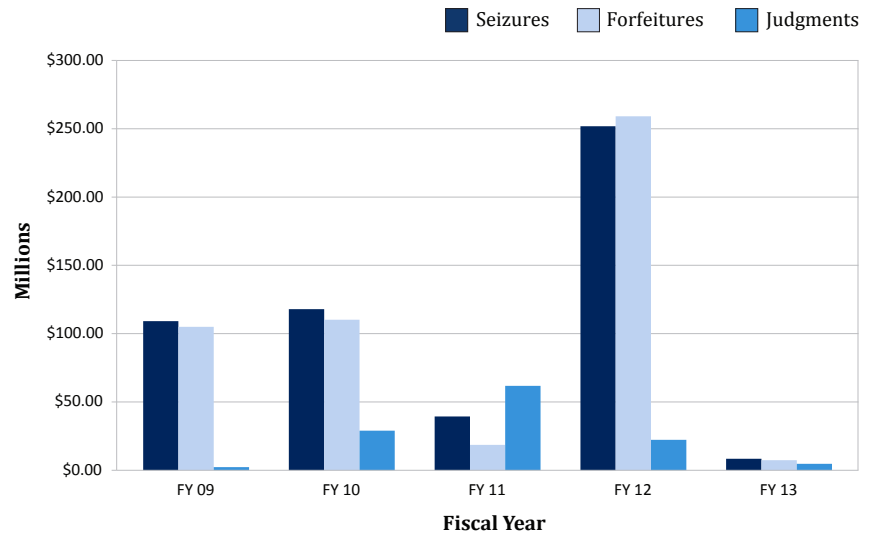
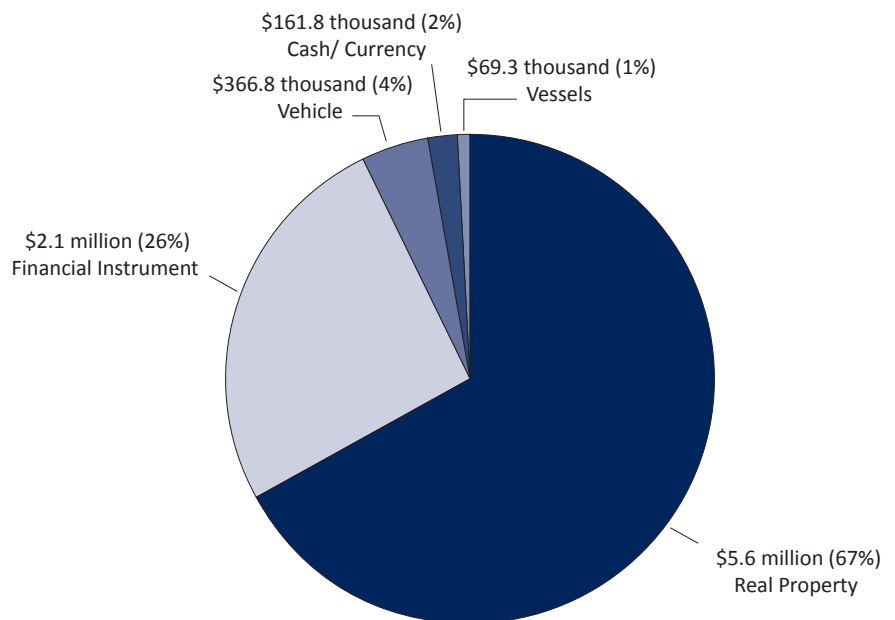


Figure 3.9 Seized Assets by Type



## Outreach Activities

### Interagency Initiatives

#### Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is the coordinating body for U.S. government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and de-conflict oversight activities. The group last met in January 2013. In November 2012, the Southwest Asia Joint Planning Group chairman established an office at New Kabul Compound, Kabul, Afghanistan. This allows the chairman and the Southwest Asia Joint Planning Group to address oversight issues closer to where operations are being conducted. The last two Southwest Asia Joint Planning Group meetings were conducted from Kabul with attendees based in the continental United States during a video teleconference at the Mark Center in Alexandria, Va.

#### Council of the Inspectors General on Integrity and Efficiency

The Council of the Inspectors General on Integrity and Efficiency was statutorily established as an independent entity within the executive branch by the Inspector General Reform Act of 2008. Its purpose is to address integrity, economy and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards and approaches to aid in the establishment of a well-trained and highly-skilled workforce in the offices of inspectors general. DoD IG is an active participant in the Council of the Inspectors General on Integrity and Efficiency and serves as editor-in-chief of the Journal of Public Inquiry. Key areas of focus during the reporting period included improving availability of relevant executive branch records to the National Instant Criminal Background Check System and compliance with the Improper Payments Elimination and Recovery Act.

#### Defense Council on Integrity and Efficiency

The Defense Council on Integrity and Efficiency is chaired by DoD IG and meets on a quarterly basis to discuss issues of common interest, share information and best practices, and build closer working relationships among members of the

oversight community within the Department of Defense. Key areas of focus during the reporting period included exploring audit priorities among Defense Council on Integrity and Efficiency members and ensuring compliance with the Reducing Over-Classification Act and the Federal Voting Assistance Program and Military Overseas Voter Empowerment Act.

#### Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community IG Forum, which promotes and furthers collaboration, cooperation and coordination among the inspectors general of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan how to address them collaboratively.

#### Joint Intelligence Oversight Coordination Group

The deputy inspector general for intelligence and special program assessments chairs the Joint Intelligence Oversight Coordination Group, which meets quarterly. The group promotes and furthers collaboration, cooperation, coordination and information sharing among the inspectors general and auditors general of the Department of Defense. The group's objectives are to support the DoD inspectors general and auditors general in the performance of audits, inspections and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the National Intelligence Strategy. Finally, the group seeks to optimize the use of resources, increase efficiency and avoid duplication of effort among DoD inspectors and auditors general. The group can also explore opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group.

#### Public Law 111-258, Reducing Over-Classification Act Work Group

DoD IG was asked by the Council of the Inspectors General on Integrity and Efficiency to lead a work group across the federal government in responding to requirements of Public Law 111-258, Section 6(b), which requires the

inspector general of each department or agency of the government with an officer or employee authorized to make original classifications, to carry out no less than two evaluations of that department or agency not later than Sept. 30, 2016. The objective of the evaluation is to assess whether applicable classification policies, procedures, rules and regulations have been adopted, followed and effectively administered within each department, agency or component; and to identify policies, procedures, rules, regulations or management practices that may be contributing to persistent misclassification of material. Section 6(b)(3)(C), requires that inspectors general required to carry out the evaluations under the Act shall coordinate with each other and with the Information Security Oversight Office to ensure that evaluations follow a consistent methodology and, as appropriate, allows for cross-agency comparisons. To this end, DoD IG, in conjunction with 17 offices of inspectors general from across the federal government, have developed a CIGIE-approved evaluation guide.

#### Whistleblower Reprisal IG Roundtable

DoD IG hosted a meeting with representatives from each of the service whistleblower reprisal and senior official IG offices, the Joint Staff IG and National Guard Bureau IG and provided updates to the attendees on policies and ongoing programs within whistleblower reprisal investigations.

## Courses

#### Seventh Annual Comptroller's Accreditation and Fiscal Law Course

DoD IG and the Contract and Fiscal Law Department, the Judge Advocate General's Legal Center and School, held its seventh annual jointly sponsored, Comptroller's Accreditation and Fiscal Law Course, in the National Capital Region from March 26 to 29, 2013. The course, held at the Defense Acquisition University, Fort Belvoir, Va., promotes the accountability of DoD funds by reinforcing and increasing the attendees' understanding of the principles critical to safeguarding DoD funds from fraud, waste and abuse, as well as what constitutes an Antideficiency Act violation. This joint DoD IG and Judge Advocate General's Legal Center

and School initiative is supportive of the DoD IG vision to lead change, speaking truth, promote excellence in fiscal accountability throughout the Department. Guest speakers included Shay Assad, director of Defense Pricing, and Tom Steffens, director, Policy, Integration, and Control, Accountability, and Audit Readiness Directorate, Office of the Assistant Secretary of the Army for Financial Management and Comptroller.

#### Joint IG Program

DoD IG manages a Joint Activities Division to interface with DoD agencies, other federal agencies, and joint IGs worldwide; develop and sustain joint IG publications; develop and deploy joint IG training; conduct mobile training teams and staff assistance visits; and develop and deploy an integrated knowledge management system and structure. DoD IG conducted one resident DoD joint IG course and provided three mobile training teams during the reporting period.

## Awards

#### DCIS Special Agent Receives Award from International Association of Chiefs of Police

A DCIS special agent's work with the FBI Joint Terrorism Task Force led to the International Association of Chiefs of Police Outstanding Achievement in the Prevention of Terrorism Award. The special agent of the Raleigh Resident Agency and other members of the FBI Joint Terrorism Task Force; the Durham, N.C. Police Department, the Raleigh, N.C., Police Department; and the Department of Justice were recognized for their outstanding collaboration in a complex six-year investigation that resulted in the conviction and sentencing of members of a North Carolina-based extremist group. The Islamic extremist group, led by Daniel Boyd, was heavily armed and organized and had made plans to attack targets both overseas and in the United States, to include military targets and others they deemed enemies of Islam. In the course of two years, seven defendants, two of whom were Boyd's sons, were convicted of terrorism-related charges to include conspiring to provide material support to terrorists and



DoD IG manages the Joint Inspector General Course.



A DCIS special agent received an award from IACP.

# Enabling Mission Areas

“DoD IG received eight awards at the 15th Annual Awards Ceremony hosted by the Council of the Inspectors General on Integrity and Efficiency...”



CIGIE presented DoD IG with the Glenn/Roth Award for Exemplary Service.

conspiring to murder, kidnap, maim and injure persons abroad.

## National Intelligence Professional Awards

In October 2012, the intelligence community IG approved for presentation, National Intelligence Professional Awards to two DoD IG, Office of Intelligence and Special Program Assessment evaluation teams. The actual awards ceremony was cancelled due to Hurricane Sandy. Principal Deputy Inspector General Lynne Halbrooks presented the National Intelligence Professional Awards on March 28, 2013. The Inspections Award was presented for assessment of security within the DoD, in recognition of the team's role in the creation of a departmental security enterprise capability where none previously existed. The Collaboration Award was received for the team's concurrent continuity of operations and intelligence readiness evaluations. The National Intelligence Professional Award recognizes individuals, teams and projects in the intelligence community that have advanced the status and standing of the inspector general's function and discipline as a profession.

## DoD IG Receives Eight Awards From CIGIE

DoD IG received eight awards at the 15th Annual Awards Ceremony hosted by the Council of the Inspectors General on Integrity and Efficiency Oct. 16, 2012, held in the Baird Auditorium of the Smithsonian National Museum of Natural History in Washington, D.C. J.T. “Mickey” McDermott received the Individual Achievement Award and Qarmat Ali Team received the Glenn/Roth Award for Exemplary Service. Six other awards included the Award for Excellence–Interagency Afghan National Police Training Program Audit and Management Analyst Team; Award for Excellence–Sexual Assault of Lance Corporal Maria Lauterbach Review Team; Award for Excellence–False Claims Act Investigation of ATK; Award for Excellence–Southwest Asia Task Force; Award for Excellence–FMU-143 Fuze Investigation Team; and Award for Excellence–Afghan National Security Forces Medical Logistics Team.

# Services



## Army

### Army Audit Agency

To accomplish its mission, the U.S. Army Audit Agency relies on a workforce of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 600 employees and is organized into 20 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of March 2013, 26 auditors were deployed in Kuwait and Afghanistan. Overall, USAAA has deployed more than 200 auditors since 2002 and issued more than 200 reports on Operations Enduring Iraqi Freedom.

USAAA's goal is to be a highly sought after and integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA aligned their audit coverage with the Army's highest priorities and high-risks areas as determined by its enterprise-level risk assessment and from input from Army senior leaders.

During the first half of FY 2013, USAAA published 75 reports, made more than 225 recommendations and identified about \$1.4 billion of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

#### Arlington National Cemetery Millennium Project, U.S. Army Corps of Engineers, Norfolk District

**Overview:** At the request of the executive director, Army National Cemeteries Program, USAAA verified that controls were in place at the U.S. Army Corps of Engineers Norfolk District to:

- Fully account for Millennium Redesign and Stream Restoration project funds and expenses.
- Promptly and effectively address potential schedule delays and cost increases for project

management related to the Millennium Redesign and Stream Restoration projects.

**Findings:** USAAA reported Norfolk District program and project managers had a process in place to account for Millennium Redesign and Stream Restoration project funds and expenses using the Corps of Engineers Financial Management System and the Primavera Management System database. USAAA found that Norfolk District personnel could monitor, track and support expenditures associated with the funded Millennium Redesign and Stream Restoration projects (valued at \$479,000). In addition, Norfolk District project managers drafted two project management plans that not only document the parameters for implementing the Millennium Redesign and Stream Restoration projects, but also established sufficient controls to monitor progress towards project completion.

**Result:** Norfolk District's policies and procedures should provide its customer, Arlington National Cemetery, with reasonable assurance that the Millennium projects will be completed on time and within budget and quality expectations. However, the projects cannot move forward until the acquisition strategy is finalized and the National Park Service provides the required permits for the stream restoration project.

**Report No. A-2013-0009-ALC**

#### Accession of Military Personnel into Contracting

**Overview:** USAAA audited the accession of military personnel into contracting positions. The audit focused on the contracting career field to identify the most appropriate time to transition military personnel into contracting to better staff contingency contracting offices.

**Findings:** USAAA determined military personnel should transition into contracting positions no later than the three-year mark in their careers. The initial three-year period would allow officers and enlisted personnel to experience the many facets of Army operations and gain leadership experience, while not overly delaying their first contracting assignment. It would also prevent personnel from entering contracting positions at levels too senior for their experience began gaining and building technical experience from entry-level positions. Earlier entry would demonstrate to soldiers the extent to which Army leaders now recognize contract-

“USAAA determined military personnel should transition into contracting positions no later than the three-year mark in their careers.”

ing as a core warfighting capability, thereby attracting more high-quality personnel into the contracting field. Recognizing the need for military contracting professionals to gain hands-on contracting experience and training earlier in their careers, Army policy reduced the goal of accession from eight years to between six and seven years for officers and before 10 years for enlisted personnel. However, military personnel did not actually start their first contracting assignment until 10 to 11 years into their careers. Additionally, the Army needed to significantly improve the readiness levels of military personnel in contracting. More than four years after the U.S. Army Expeditionary Contracting Command was stood-up, almost half of the military personnel assigned to those units were designated as unready for service in expeditionary environments. The longer the Army waits for military personnel to transition into contracting, the greater the risk military personnel will not have the technical skills and experience needed to effectively execute complex contracting operations or technically supervise others. The risk is greatest in high-operational tempo expeditionary environments, where speed and effectiveness in support of military operations are critical.

**Result:** USAAA recommended the under secretary of the Army commission and oversee analysis, led by both assistant secretary of the Army for acquisition, logistics, and technology and Army Materiel Command in coordination with the deputy chiefs of staff, on how best to stand up a contracting or acquisition branch. Or they should determine other feasible, alternative new approaches for military personnel transitioning into contracting that would provide reasonable assurance their contracting knowledge, skills and work experiences would sufficiently prepare military personnel to fulfill future expeditionary contracting requirements.

**Report No. A-2013-0047-ALC**

#### Maintenance of Left Behind Equipment in Europe

**Overview:** USAAA reviewed the maintenance of left behind equipment in Europe to identify the condition of the equipment when inducted into the program and the maintenance performed on the equipment while in the program.

**Findings:** USAAA reported that maintenance activities completed repair work to bring left behind equipment to the required technical manual standard and that the units receiving the equipment were generally satisfied with it. However, maintenance activities frequently exceeded the technical manual standard and did not perform maintenance effectively. Specifically, maintenance activities:

- Replaced serviceable parts on equipment.
- Projected repair times exceeding maintenance allocation chart times.
- Exceeded the inflated-repair projections on work orders.

In addition, USAAA identified that units were not inducting equipment into the left behind equipment program at the required technical manual standard due to competing priorities and time constraints immediately before deployment. Also, U.S. Army, Europe, 21st Theater Sustainment Command, and Theater Logistic Supply Center-Europe did not identify and correct inefficiencies in the left behind equipment maintenance program because of insufficient oversight.

**Result:** USAAA estimated that by increasing the oversight to ensure maintenance activities adhered to projected repair hours, the Army could reduce the required staffing of the maintenance activities and save about \$12 million in the next six years. Additional savings could be achieved as efficiencies increased and maintenance activities adhered to maintenance allocation chart times. Also, USAAA identified savings to the Army with the full European theater implementation of the unit maintained equipment program which would allow rear detachments to retain equipment instead of inducting it into the left behind equipment program. Implementation of this recommendation could save the Army about \$100 million in the next six years.

**Report No. A-2013-0041-ALE**

#### Audit of Army Prepositioned Stock, Medical Materiel

**Overview:** At the request of the Office of the Deputy Chief of Staff, G-4, USAAA audited the requirements for Army prepositioned stock medical materials. USAAA audited the development process to verify planned procurement quantities were based on modified tables of or-

“... the Army could reduce the required staffing of the maintenance activities and save about \$12 million in the next six years.”



USAAA reviewed the foreign language proficiency bonus pilot program.

“USAAA concluded that the pilot program successfully incentivized SOF’s soldiers to maintain or improve their language proficiency.”

ganizational equipment, and unit sets were reasonably estimated over the FYs 2013 to 2017 program objective memorandum.

**Findings:** USAAA reported that planned procurement quantities for medical materiel were supported by the Army prepositioned stock modified tables of organizational equipment. The U.S. Army Medical Materiel Agency ensured that the appropriate amount of sets would be available if needed to support contingency operations. Ninety-four percent of the inventory items reviewed was properly accounted for at the Army Strategic Logistics Activity storage site. Controlled substances were properly secured and had sufficient inventory procedures in place and operating. USAMMA fully used potency and dated cost avoidance initiatives, such as the pharmaceutical goods return contract, to minimize losses associated with expired materiel. As a result, the Army had assurance that class VIII materiel was on hand and accounted for if needed to support potential contingencies. However, the 50 percent potency and dated materiel replenishment rate used in calculating program objective memorandum requirements was not supported by historical data or generic item shelf-life codes. USAMMA used the 50-percent replenishment rate because the Army’s logistics requirements submission instructions required its usage in developing budget projections. Also, USAMMA did not have automated or historical data to estimate expected annual percentage of potency and dated losses. As a result, the FYs 2013 to 2017 program objective memorandum requirements may be overstated by as much as \$34.2 million.

**Result:** U.S. Army Medical Command and USAMMA took action towards implementing the recommendations during the audit. Specifically, USAMMA used actual potency and dated expiration rates associated with items already on hand to determine the optimal replenishment rates for developing the FYs 2014–2018 program objective memorandum funding requirements. U.S. Army Medical Command began accumulating historical data to calculate future program objective memorandum requirements and planned to revise future replenishment rates based on the historical data. Both actions will assist the Army in estimating requirements more accurately.

**Report No. A-2013-0031-ALM**

## Foreign Language Proficiency Bonus Pilot Program

**Overview:** At the request of the deputy chief of staff, G-2, USAAA audited the foreign language proficiency bonus pilot program to verify that the program successfully incentivized special operations forces’ soldiers to maintain or increase their language skills and to verify that the Army had proper management controls in place to manage the foreign language proficiency bonus pilot program. The pilot program allows SOF’s soldiers with language proficiency at or above one but below two to receive payments.

**Findings:** USAAA concluded that the pilot program successfully incentivized SOF’s soldiers to maintain or improve their language proficiency. USAAA found that the Army had some procedures and controls in place to manage and monitor the program, but some additional controls were needed. The Army Special Operations Command G-1 office had a centralized process in place to manage active SOF’s soldiers’ participation in the pilot program that requested payment for them; however, it did not keep supporting documentation. This occurred because the command did not have any guidance on the documentation needed to make a payment request and did not have any requirements to maintain documentation that supported foreign language proficiency bonus payment requests. The U.S. Army National Guard’s SOF units had some controls but did not prepare and maintain documentation in accordance with pilot program requirements. This was because the guard headquarters had not enforced pilot program requirements and had not issued guidance specifying reporting procedures to subordinate units. USAAA also found that the Army did not have direct oversight of the funds expended for the pilot program because the funds were combined with the Army’s regular foreign language proficiency bonus funds.

**Result:** USAAA reported that the deputy chief of staff, G-2 could improve the processes by:

- Tracking changes in language proficiency for SOF’s soldiers receiving payments from the pilot program.
- Establishing specific responsibilities for managing the funds provided for the pilot program and have the Army budget office provide the status of the funds executed at

quarterly in-process reviews based on the Defense Finance and Accounting Services execution reports for the pilot program.

In addition, USAAA recommended that the Army Special Operations Command and ARNG issue a formal policy on the process and procedures to manage the pilot program. This policy should include specifics on documentation required for payment eligibility and methods for retaining this supporting documentation. Also, USAAA recommended that Army Special Operations Command and ARNG identify a method for tracking the amount expended for the foreign language proficiency bonus pilot program and report this amount to the Department of the Army headquarters at quarterly in-process reviews. By tracking the status of language proficiencies of SOF's soldiers and managing the execution of funds provided for the pilot program, USAAA helped the Army determine language proficiencies available to meet the missions and manage the funds received for the pilot program.

**Report No. A-2013-0072-FMI**

#### **Audit of Army Data Center Consolidation**

**Overview:** USAAA evaluated the progress of the Army's data center consolidation and focused on data center closures in FY 2011 and the strategy for recovering efficiencies. This is the second audit in support of the Army Data Center Consolidation Plan. USAAA published results of the previous effort in audit report A-2011-0143-IET (application migration), dated July 6, 2011. That report focused on data centers affected by base realignment and closure and the chief information officer/G-6's oversight of the program.

**Findings:** USAAA concluded that the Army did not achieve expected efficiencies in FY 2011. The Army closed six non-Base Realignment and Closure data centers in FY 2011, none of which reported cost savings in their closure reports. CIO/G-6 expected commands to achieve at least \$2.5 million in cost savings as a result of these closures. Commands did not achieve the expected cost savings because they did not reduce the number of applications they maintained through rationalization as expected, nor did they transfer applications to the Defense Information Systems Agency or a commercial provider for hosting. This resulted in little overall change to the size

of the Army data-center footprint. Although the Army had processes in place for identifying data center efficiencies, the processes were not providing enough accurate information to assist the Army in resource recovery. The Army's strategy for identifying data center consolidation efficiencies relied heavily on commands to provide and update a series of reports to determine an accurate "as-is" baseline and to report efficiencies gained through the closures. While this strategy was generally sound, commands were not consistently reporting the required information.

**Result:** At the request of CIO/G-6, USAAA reviewed FY 2012 closure reports to determine whether progress was made in comparison to FY 2011 closures. USAAA found that as FY 2012 progressed, commands began to report more of the required information and efficiencies. As of July 30, 2012, 23 non-base realignment and closure data centers were closed and the Army Data Center Consolidation Plan identified more than \$10.9 million in efficiencies. (One closure resulted in \$9.1 million of the \$10.9 million; a majority of the closures in FY 2012 did not achieve the expected efficiencies.) In addition, the Army Data Center Consolidation Plan developed a process to work with commands to capture the pertinent information within the closure reports. USAAA provided three suggested actions that address some of the challenges the Army needs to overcome to effectively consolidate data centers and realize efficiencies. The Army Data Center Consolidation Plan team, including their partner organizations, will incorporate these actions into future operations.

**Report No. A-2013-0023-FMT**

#### **Audit of Army Workers' Compensation Program: U.S. National Guard**

**Overview:** The Army has spent nearly \$2 billion in the last 11 years to provide wage replacement and medical benefits to federal civilian employees for on-the-job injuries and illnesses. USAAA conducted this audit to verify that the Army National Guard's process ensured that workers' compensation claims were associated with injuries that occurred during employees' official civilian capacity/duty. This audit is one in a series addressing the Army's Workers' Compensation Program.

“The Army has spent nearly \$2 billion in the last 11 years to provide wage replacement and medical benefits to federal civilian employees...”

“USAAA’s review of 56 of 303 workers’ compensation claims for two states showed that all 56 claims met the performance-of-duty claim.”

**Findings:** USAAA found that the Army National Guard’s process ensured that workers’ compensation claims were associated with injuries that occurred during employees’ official civilian capacity/duty. USAAA’s review of 56 of 303 workers’ compensation claims for two states showed that all 56 claims met the performance-of-duty claim. Additionally, USAAA identified 102 of 3,829 claims guard-wide, valued at about \$209,000 and \$9.8 million, respectively, with dates of injuries that coincided with dates technicians received military pay; therefore, USAAA was unsure if these claims met the performance-of-duty element of a valid claim. USAAA reviewed nine of these 102 claims that were associated with the two states to verify whether the injuries occurred while in the performance of duty (technician status) or in the line of duty (military status). USAAA’s review showed that one of the nine claims did not meet the performance-of-duty element of a valid claim. The claim was not challenged because the supervisor who certified the worker’s compensation claim for the technician was not the technician’s assigned first-line supervisor. Key state personnel took corrective action and submitted a letter to the Department of Labor’s Office of Workers’ Compensation Program requesting that the approved claim be rescinded.

**Result:** To provide assurance that claims submitted to the Department of Labor were and are associated with performance-of-duty injuries, USAAA recommended that the National Guard review the remaining 93 claims and implement a new control that requires either the technician’s supervisor or the Injury Compensation Program administrator to verify that the technician did not receive military pay for the date and time of the injury.

**Report No. A-2013-0006-IEE**

#### Audit of Army Workers’ Compensation Program: Death Benefit Cases

**Overview:** USAAA conducted this audit to verify that the Army had sufficient data to manage the Army’s Workers’ Compensation Program’s death benefit cases.

**Findings:** USAAA found that the Army did not have a process or procedures in place to verify that beneficiaries of deceased Army employees were still alive, primarily because Department of Labor’s Office of Workers’ Compensation

Programs has this responsibility. USAAA focused on claimants who would have been 55 years or older at the end of charge-back year 2010, as of June 30, 2010, had they lived. Using Accurant and information from Department of Labor’s Agency Query System, USAAA reviewed 357 of 358 (99.7 percent) death benefit cases and found they were properly managed. USAAA was unable to review one case because the Army could not locate the claimant’s Social Security number in the Department of Labor’s system. USAAA’s review of the 357 showed that 321 cases were active and 36 cases were closed. However, the review showed that the Department of Labor had officially closed 25 of the 36 cases. Additionally, 15 of 357 beneficiaries were not surviving spouses so USAAA could not determine if the beneficiaries (son, daughter, guardian or case payee) were still eligible to receive death benefits.

**Result:** To provide assurance that the Army is paying death benefits to eligible beneficiaries, USAAA recommended that the Army (1) research the one claim that could not be located in the Department of Labor’s system, (2) request that the Department of Labor officially close the 25 cases in its system and (3) coordinate with the Department of Labor’s Office of Workers’ Compensation to determine the continued eligibility of the 15 beneficiaries who were categorized as case payee, claimant, son/daughter or guardian.

**Report No. A-2013-0026-IEE**

#### Actions Taken by USACE at Lake Cumberland, Kentucky

**Overview:** At the request of the secretary of the Army, USAAA conducted a comprehensive audit of the actions taken by the U.S. Army Corps of Engineers at Lake Cumberland, Ky., concerning marina owners, following a drawdown of the lake in January 2007. USAAA determined whether USACE complied with applicable laws, regulations and guidance for actions related to marina owners and in developing its 2011 Lake Cumberland Master Plan.

**Findings:** USAAA reported that USACE generally complied with applicable laws, regulations and guidance for actions related to marina concessionaires at Lake Cumberland and in its development of the Lake Cumberland Master Plan.



USAAA reviewed the U.S. Army Corps of Engineers at Lake Cumberland, Ky.

Specifically, USAAA found that the USACE appropriately:

- Exercised its permissive authority to grant rent abatement to nine marina concessionaires due to the short notice of the drawdown and to offset anticipated one-time reconfiguration costs. Under the abatement, nine USACE-leased marinas collectively paid \$9 for the period July 1, 2007, to June 30, 2008, instead of about \$800,000. The district also expended about \$1.7 million on other actions to mitigate the drawdown's effect. In accordance with its authority, the Nashville District also appropriately denied the concessionaires' requests for an extension of rent abatement.
- Coordinated and involved the public in the master planning process to ensure the plan sufficiently addressed regional and ecosystem needs, project resource capabilities and suitability, and public interests and desires. The plan also aligned with applicable national and local initiatives.

**Result:** USAAA identified that improvements were needed for the USACE's out-grant management process; however, the improvements did not affect the validity of the district's decision to deny requests for extended abatement. Additionally, USAAA found that USACE needed to make sure actions are taken USACE-wide to address systemic issues with the master planning process identified in a 2007 Engineers Inspector General report. USAAA provided assurance that the actions of USACE were appropriate and in compliance with laws, regulations and guidance.  
**Report No. A-2013-0033-IEE**

#### Residential Communities Initiative—Controls Over Purchase Order Expenditures, Fort Rucker and Fort Drum

**Overview:** At the request of the Office of the Deputy Assistant Secretary of the Army (Installations, Housing and Partnerships), USAAA audited selected aspects of the Residential Communities Initiative projects at Fort Rucker, Ala., and Fort Drum, N.Y. The objective was to verify that purchase order expenditures controls were in place and operating effectively to ensure payments were valid.

**Findings:** USAAA determined that controls were partially in place and operating. Property

managers established some internal controls, and purchase orders generally had required approvals, the date and quantity of goods and services received, and supporting invoices and payments with matching information. However, some controls, such as separation of duties, timely approval of purchase orders and audit trails, either were not established or were not operating as intended. These weaknesses occurred because the partnerships' legal agreements did not have specific requirements for establishing, maintaining or reviewing internal controls. Therefore, property managers established controls they believed necessary to accomplish their mission. In addition, the Army's Portfolio Asset Management Handbook did not specifically require Residential Communities Initiative program managers and asset management teams to review internal controls. These weaknesses increased the risk for fraud, waste and abuse. As a result, the Army's interests in the Residential Communities Initiative program were not fully protected.

**Result:** This audit provided the Army with a sound means of protecting its interests, not only from ensuring the operations that provide housing to its soldiers are adequate, but also ensuring that the Army remains, in the public's view, a good steward of resources.

**Report No. A-2013-0024-IEI**

#### Deployment Health Assessments

**Overview:** USAAA audited the Army's processes to provide soldiers with the deployment health assessments required by DoD policy to mitigate deployment-related health threats and to ensure soldiers had an opportunity to receive treatment if needed.

**Findings:** Of the 29,448 soldiers who deployed in selected units between 2009 and 2011, USAAA determined that almost 99 percent received pre-deployment assessments, 97 percent received post-deployment assessments and 85 percent received post-deployment reassessments. About 82 percent of the assessments met DoD timeliness standards. In addition, the Army made further treatment available to soldiers when health care providers determined it was needed. However, USAAA found that at least 4,000 assessments did not result in referrals even though they indicated that soldiers had

“USAAA found that at least 4,000 assessments did not result in referrals...”



USAAA reviewed Fisher House management.

“USAAA conducted the audit at seven military treatment facilities and concluded that ombudsmen generally provided the intended support as required.”

behavioral health concerns. At least 43 percent of these assessments did not explain why further treatment was not needed.

**Result:** To improve oversight and ensure soldiers receive appropriate referrals and care, USAAA recommended that U.S. Army Medical Command make deployment and redeployment dates available for tracking in the Medical Protection System, so commanders could ensure that more soldiers received timely assessments. In addition, USAAA recommended that the Medical Command require health care providers to document the actions they take when soldiers' responses to assessment questions indicate health-related concerns and, if applicable, why referral was not needed. This will ensure that soldiers' medical history details are available if future deployment-related health problems arise.

**Report No. A-2013-0010-IEM**

### Audit of U.S. Army Medical Command Ombudsman Program

**Overview:** The Army established the Ombudsman Program to assist soldiers and their families with concerns about their medical care, as well as to provide general assistance with the Army's disability evaluation system. The Office of the Surgeon General asked USAAA to verify that ombudsmen provided the intended support in accordance with program guidance and that the program provided U.S. Army Medical Command with information to improve its business operations. In May 2012, subsequent to the surgeon general's request, the secretary of the Army ordered a comprehensive review of how the Army conducts behavioral health diagnoses and disability evaluations. To coordinate this effort, the secretary established the Army Task Force on Behavioral Health and directed USAAA to submit the results of the audit to the task force.

**Findings:** USAAA conducted the audit at seven military treatment facilities and concluded that ombudsmen generally provided the intended support as required.

**Result:** USAAA made recommendations to improve management of the program by implementing standing operating procedures that included performance metrics and developing a training program that fully prepared personnel to perform their ombudsman responsibilities.

Additionally, USAAA made recommendations about how to refine the method used by the program to collect complaint data that is provided to the medical command and the program's stakeholders to present a better overview of the problems associated with its medical activities and operations.

**Report No. A-2013-0012-IEM**

### U.S. Army Fisher House Program Management, U.S. Army Medical Command

**Overview:** The Fisher House Foundation, founded by Zachary and Elizabeth Fisher, is a private-public partnership that provides “comfort homes” to military families so they can be close to military loved ones who are hospitalized. The program builds the Fisher Houses on the grounds of major military medical centers across all services and the Department of Veterans Affairs, and then donates them to the respective military service to manage. The Army has 15 Fisher Houses at 10 different Army installations that provide 146 guest suites. U.S. Army Medical Command requested USAAA audit controls of the Army Fisher House program. USAAA visited three sites to include Joint Base San Antonio, Joint Base Lewis-McChord and Fort Bliss.

**Findings:** USAAA determined that program controls were generally in place and operating, but improvements can be made in several areas. USAAA reviewed the program financial controls along with personally identifiable information controls. Additionally, USAAA reviewed the Fisher Houses for compliance with the Americans with Disabilities Act.

**Result:** USAAA recommended that the Army (1) place nonmonetary gifts on the property records, (2) obtain required higher-level approvals for large dollar value gifts, (3) safeguard cash receipts and deposits including making timely deposits, (4) obtain preapproval for credit card purchases, (5) standardize the guest registration process, including not collecting unnecessary personally identifiable information and (6) ensure facilities comply with the Americans with Disabilities Act. Making these improvements will increase program oversight, accountability and transparency; ensure consistency of operations; better safeguard personally identifiable

information; and ensure people with disabilities can access Army Fisher Houses.

**Report No. A-2013-0059-IEM**

**Initial Outfitting of Equipment at Military Treatment Facility Construction Projects, MEDCOM**

**Overview:** In response to an unprecedented amount of funding for medical facility construction projects in the FYs 2013 to 2017 Program Objective Memorandum, the U.S. Army Medical Command asked USAAA to verify the Health Planning Facility Agency's process for developing and managing equipment requirements. In addition, MEDCOM asked USAAA to validate whether an available, automated DoD system provided project specific detailed equipment requirements the Army could use to develop equipment requirements.

**Findings:** USAAA determined that the Army's process for developing \$1.4 billion in initial outfitting equipment requirements was not transparent enough to fully support those requirements. USAAA recommended that MEDCOM establish guidance for developing and managing the execution of the initial outfitting program to ensure effective oversight of funds obligated and executed. USAAA also tested the reliability of DoD's Space and Equipment Planning System and concluded it was a highly reliable model for estimating equipment requirements. Using the Space and Equipment Planning System, USAAA estimated that MEDCOM could reduce requirements by about \$572 million.

**Result:** By implementing USAAA recommendations, the U.S. Army Medical Command will improve its processes for developing and managing equipment requirements, and the Army can reallocate \$572 million to other unfunded critical medical requirements. MEDCOM immediately took corrective action and adjusted the FYs 2014-2018 Program Objective Memorandum by about \$285 million of the reported \$572 million in monetary savings.

**Report No. A-2013-0061-IEM**

**Resource Capabilities of Financial Management Enablers**

**Overview:** At the request of the Office of the Deputy Assistant Secretary of the Army (Financial Operations), USAAA audited the

mission resources and capabilities of financial management soldiers performing resource management and financial operations functions.

**Finding:** USAAA reported that the financial management community was struggling to define themselves as the Army shifts its focus away from Southwest Asia. Lessons learned from overseas contingency operations and recent changes in the defense strategy indicate that the community will need to make significant changes to how it conducts its operations to support emerging requirements. The national defense strategy, coupled with the Army strategic planning guidance, outlines 10 strategic objectives that minimize long-term stability operations, such as contingency operations in Southwest Asia. These objectives, along with the requirement for auditable financial statements, will necessitate that the Army undergo a dramatic culture change that hinges on resource-informed decision-making and building-partnership capacity. USAAA found the Army had challenges incorporating a cost culture. Commanders must make more resource-informed decisions in consideration of budget constraints and competing requirements. However, brigade combat teams do not have resource management capability (S-8), and echelons above the brigade do not have cost analysts' capabilities to assist with decision-making. USAAA also found the Army may not be using financial management soldiers to their full potential in such areas as banking, economic assessments and building-partnership capacity.

**Result:** Recent shifts in the Army's defense strategy and lessons learned from publicized fraud in Southwest Asia may require commanders to reevaluate how they use their resources to assess operational risk. There are many variables based on outside factors such as pending decisions about troop reduction and budget constraints that continue to make it difficult to envision the future force. However, USAAA audit results support the need for the emerging requirements of cost management and building-partnership capacity. Due to budget constraints and personnel reductions, the Army should prioritize, redefine and adjust its workforce to minimize financial risk in an evolving Army while remaining relevant to the warfighter.

**Report No. A-2013-0045-MTS**



## Audit of Financial Management—Force Structure

**Overview:** At the request of the Office of the Deputy Assistant Secretary of the Army (Financial Operations), USAAA audited the mission command and organizational alignment of financial management units to verify that they allowed financial management soldiers to meet mission requirements and support financial reporting effectively.

**Findings:** USAAA reported that financial management soldiers faced significant challenges in performing their assigned missions and ensuring properly trained soldiers. Specifically, units faced challenges conducting and enforcing internal controls, implementing theater policy and aligning to meet mission requirements. USAAA found this occurred in part because the doctrine and organization of financial management units was not properly aligned to create a strong enforcement mechanism. For example, units did not have the authority, through a mission command relationship, to carry out some of their assigned duties. USAAA also found the following contributing factors that impacted financial management units:

- Sustainment commanders had a limited understanding of financial management technical operations.
- Financial management units had varying success in marketing the importance of their mission.
- Financial management support operations officer was not working as intended.

As a result, financial management units had to rely on personality-driven relationships and outside support to meet mission needs.

**Result:** By helping the Army identify the challenges in both conflicting doctrine and organizational alignment, the financial management and broader sustainment community have taken steps to correct many of the weaknesses. The improvements will allow financial management units to meet mission requirements and support financial reporting effectively.

**Report No. A-2013-0046-MTS**

## Managing Resource Requirements for TRADOC Institutional Training

**Overview:** At the request of the deputy commanding general, U.S. Army Training and

Doctrine Command, USAAA evaluated the Army's management and scheduling of resources to implement new or adjusted training requirements for institutional training. In addition, USAAA evaluated key efforts taken by TRADOC to automate manual processes, to include the acquisition of an enterprise scheduling system and implementation of the Training Development Capability system.

**Findings:** USAAA reported that the Army had a process in place that allowed it to accomplish its mission by executing approved training. However, the process used was not efficient because it relied on labor-intensive procedures requiring personnel to manually link and analyze data from various systems to validate resource needs and schedule training. Despite this shortcoming, the Army used this process because it did not have an automated tool capable of quantifying training resources as a result of increases and decreases in training requirements. Although TRADOC had implemented the Training Development Capability system in December 2011 to standardize course Programs of Instruction and the use of training resources Armywide, efforts to acquire an enterprise scheduling system were not successful. For example, crucial capability requirements of an enterprise scheduling system were not properly addressed in the draft performance work statement, dated March 2011. Also, headquarters TRADOC and the schools USAAA visited were not successful in their attempts to acquire an automated system that provided these capabilities. As a result, headquarters, TRADOC personnel generally could not efficiently or sufficiently validate training resource needs across the command or Armywide. Instead, they generally relied on the individual schools' assessments because they did not have visibility of resource availability. Also, TRADOC schools that USAAA visited expended about \$13.3 million during FYs 2008 to 2012 to acquire, modify and sustain scheduling systems with minimal to no return on investment.

**Result:** USAAA recommended that TRADOC implement an automated scheduling system that at a minimum has proven automated capabilities, compatibility to interface with required existing Army systems and "what-if" analytical functions for planning purposes. USAAA also recommended that TRADOC direct schools

currently using scheduling systems to stop investing additional Army funds to modify and sustain these systems once an enterprise scheduling system is fielded. Finally, USAAA recommended that the Combined Army Support Command discontinue the use of its scheduling system at Fort Lee schools. USAAA estimated that about \$6.9 million in funds could be put to better use in the FYs 2013 to 2018 program objective memorandum as a result of discontinuing the scheduling system.

**Report No. A-2013-0022-MTT**

### Training Support System Manning Models

**Overview:** At the request of the director of training, Office of the Deputy Chief of Staff, G-3/5/7, USAAA evaluated the Army's manning models used to determine required staffing levels and make resourcing decisions for the active component, continental United States, Training Support System. TSS includes products, services and facilities that support Army training missions. USAAA focused its review on four TSS common levels of support and their associated management decision packages.

**Findings:** USAAA reported that the Army proactively implemented a process to determine TSS manning requirements. The Training Simulations Division within the Office of the Deputy Chief of Staff, G-3/5/7 worked closely with the Army Installation Management Command to quantify and standardize staffing requirements for training support at installations. The models provided the Training Simulations Division a consistent and reasonable methodology to estimate manpower requirements, prepare and justify budget requests, and program funding to meet installations' TSS missions. However, because of anticipated budget reductions in FY 2012 affecting Army civilian authorizations and service contracts, IMCOM created FY 2013 provisional tables of distribution and allowances, making implementation of the TSS models optional. As a result, not all TSS funding received by IMCOM was used in the areas as originally programmed. The method IMCOM used to execute TSS funds potentially increased the Army's risk for meeting training support requirements. Also, TSS stakeholders did not have real-time access to resourcing execution data to effectively monitor the execution

of TSS funds and develop future TSS programs. As a result, key TSS stakeholders could not sufficiently monitor IMCOM's execution of the Army's training resourcing. Additionally, TSS stakeholders could not readily determine how programmed resources were applied during the year of execution to achieve approved objectives and gain feedback for adjusting future resource requirements.

**Result:** USAAA recommended the Army provide access to funding-execution data to TSS stakeholders to allow more visibility and adjust its manning models to reflect estimates that are more accurate. This will ensure that limited TSS funds are allocated and used more accurately to prevent unnecessary funding shortages.

**Report No. A-2013-0028-MTT**

### Operating Tempo Fund Use

**Overview:** At the request of the Army vice chief of staff, USAAA reviewed the use of operating tempo funds in the Army. The purpose of OPTEMPO funds is to support home station training. The Army vice chief of staff was concerned about the amount of OPTEMPO funds being migrated for non-OPTEMPO requirements, particularly for base operations and information technology equipment and services. USAAA reviewed FY 2011 OPTEMPO funds for U.S. Army Forces Command, U.S. Army European Command and U.S. Army Pacific Command activities to verify whether these activities used OPTEMPO funds for OPTEMPO requirements.

**Findings:** USAAA determined that the Army commands generally used OPTEMPO funds for OPTEMPO requirements during FY 2011. However, USAAA identified various Army command activities migrated about \$29.7 million (about 11 percent) of \$258.9 million of OPTEMPO funds for non-OPTEMPO requirements, which were primarily for base operations support and information technology requirements. This occurred because activities only received OPTEMPO funding for their home station training mission, and did not have the appropriate source of funds for U.S. Army Installation Management Command and U.S. Army Network Enterprise Technology Command services above the baseline, or for other non-OPTEMPO requirements associated

“USAAA estimated that about \$6.9 million in funds could be put to better use in the FYs 2013-2018 Program Objective Memorandum...”



USAAA evaluated the Army's manning models used to determine staffing levels.

with home station training. In addition, activities believed the FY 2011 Office of the Deputy Chief of Staff, G-3/5/7, OPTEMPO management instructions did not clearly define the term migration, information technology equipment or services and allowable and unallowable OPTEMPO requirements. Also, while the Army commands provided some oversight of its subordinate activities' use of OPTEMPO funds, there were additional opportunities for increased monitoring. **Result:** As a result, the Army did not have full visibility of how OPTEMPO funds were used, or the full amount of funds required for U.S. Army Network Enterprise Technology Command and U.S. Army Installation Management Command services, which potentially hindered the Army's ability to make informed budget decisions. USAAA recommended the Army update the OPTEMPO management instructions to (1) define the term migration, (2) define allowable and unallowable OPTEMPO and (3) direct Army commands/Army service component Commands to issue policies and procedures for monitoring OPTEMPO fund use by subordinate activities. These actions should strengthen oversight of OPTEMPO migrations and provide a more accurate reflection of OPTEMPO fund use for budgetary decisions.

#### **Report No. A-2013-0029-MTT**

#### **Performance Metrics for National Afghan Trucking Contract, Bagram Airfield, Afghanistan**

**Overview:** The United States Central Command-Joint Theater Support Contracting Command requested the audit to verify the National Afghan Trucking contract performance metric process improved contractor performance and reduced cost. The National Afghan Trucking contract provided a framework to mitigate risk and established a performance measurement process to improve contractor performance and achieve U.S. Central Command's transportation goals. This audit focused on the contract's performance metrics and information from the contract's order of merit list and performance requirements summary to verify that the contract established a systematic method to evaluate contractor performance, quantify performance ratings, allocate mission assignments and apply appropriate payment deductions. USAAA analyzed information from the initial six months of

the contract to determine whether U.S. Central Command reduced transportation risk and improved contractor performance. In addition, USAAA assessed price risk and, as appropriate, compared to the prior transportation contract, Host Nation Trucking, to verify command's potential to reduce transportation costs.

**Findings:** USAAA reported the criteria and concepts of the contract were not fully implemented as intended, which weakened the effectiveness of the process during the initial six months of the contract. Further, the lack of transportation-performance information limited the ability to sufficiently assess the contract's progress to achieve performance and cost goals. USAAA also reported that while the contract generally fulfilled mission requirements, process weaknesses prevented the contract from achieving its intended contractor-performance improvements and cost savings. Inaccurate contractor performance assessments resulted in erroneous contractor ranking used to allocate missions, which caused an unintentional deviation from fair opportunity for consideration requirements. In addition, USAAA identified opportunities to realize the contract's efficiencies and implement corrective actions to improve contractor performance and recoup transportation overpayments totaling more than \$2 million.

**Result:** USAAA made several recommendations to improve contract performance and oversight and reduce costs to achieve transportation goals. USAAA recommended the U.S. Forces-Afghanistan commander issue a fragmentary order to reinforce transportation delivery validation and receiving report processing within three days for transportation oversight. USAAA also recommended that the U.S. Central Command-Joint Theater Support Contracting Command commander provide training to its contract staff, improve asset visibility, perform delivery spot checks, use contractors' available asset reports, modify the contract's performance measurement process and metrics, and reevaluate contractors' performance assessments to correct payment deductions and recoup transportation overpayments. The U.S. Forces-Afghanistan and U.S. Central Command-Joint Theater Support Contracting Command commanders agreed with USAAA's contract performance and oversight recommendations and took actions to im-



USAAA reviewed performance metrics for National Afghan Trucking contract.

plement improvements. The commands' actions will help mitigate risk associated with the armed force's transportation mission in Afghanistan.

**Report No. A-2013-0054-MTE**

**Army Protection Program at Depots, Arsenals and Plants**

**Overview:** At the request of the executive deputy to the commanding general of U.S. Army Materiel Command, USAAA verified the implementation of four key protection program elements including continuity of operations, emergency management, fire and emergency services; and law enforcement.

**Findings:** USAAA found that, in general, AMC's government-operated installations met protection program requirements, but AMC's contractor-operated facilities had challenges, particularly related to effective onsite law enforcement. USAAA visited five sites and found that all five sites met continuity of operations requirements and had fire and emergency capabilities. USAAA also found that AMC had effective law enforcement programs in place at three of the five installations, which were government-operated. However, AMC had limited onsite law enforcement protection at its contractor-operated facilities. Army law enforcement and physical security policies require commanders to direct law enforcement and security activities to maintain law and order and protect installation personnel and property against trespass, terrorism, sabotage, theft, arson and other illegal acts. USAAA reviewed law enforcement programs at 11 AMC installations including three government-operated and eight contractor-operated. USAAA visited five (three government-operated, and two contractor-operated) installations and reviewed programs at six other AMC contractor-operated facilities. USAAA found that the three government-operated installations visited had effective law enforcement programs in place, but five of the eight contractor-operated installations had limited onsite law enforcement protection. AMC had effective law enforcement programs at its three government-operated installations because it employed Army police and security forces that were extensively trained and under the direct command and control of the local commanders. However, onsite law enforcement protection was limited at the contractor-

operated installations because those sites used contracted security guards who were limited by inherently governmental guidelines and legal jurisdictions. Local commanders also had limited control of contracted guards, and contractor responsibilities and authorities sometimes were not clearly defined.

**Result:** USAAA concluded there was a higher risk of vulnerabilities to personnel, property and mission accomplishment at these five contractor-operated facilities. This occurred, primarily, because protection requirements were not always included or clearly defined in contract solicitation documents. Additionally, there was an inconsistent understanding and application of onsite command and control, jurisdictional requirements and authorities related to contracted security guards. Therefore, USAAA recommended the Army clarify responsibilities and authorities for contracted security guards, and that AMC include protection program requirements in contract solicitation documents and performance work statements or develop a strategy to mitigate protection elements that contractors do not implement at contractor-operated facilities.

**Report No. A-2013-0063-MTP**

**Attestation Review of Data on Child, Youth and School Services Personnel Suitability**

**Overview:** Department of Defense and Army policy both require criminal background checks are conducted on individuals working in child care services. For the safety and well-being of the military-connected youth, it is imperative that background checks are accurate and proper documentation is maintained verifying the check. As part of a multifaceted oversight approach, the secretary of the Army directed USAAA to conduct a review on the use of criminal background checks, examining the verifications made by the assistant chief of staff for installation management.

**Findings:** The USAAA review verified more than 17,000 personnel involved in child care services on 76 Army installations. USAAA projected about 86 percent of the child care personnel population had at least a portion of completed criminal background checks. However, only about 33 percent had all portions of the criminal background checks completed.



USAAA verified more than 17,000 personnel involved in child care services.

“Overall, USAAA estimated U.S. Army Reserve Command understated bonus debts of \$20.3 million for this period by a net of \$9.9 million.”

**Result:** USAAA results will be used to assist the Army in improving the process at Army installations for providing and maintaining criminal background checks for the safety and security of children.

**Report No. A-2013-0065-IEO**

## Out-of-Service Debt, U.S. Army Reserve Command

**Overview:** USAAA audited the out-of-service debts for soldiers discharged from the Army Reserve. The audit objectives were to verify that the U.S. Army Reserve Command forwarded appropriate and supportable data to the Defense Finance and Accounting Service to ensure accurate recording of debts for discharged soldiers and that DFAS took appropriate action to collect those debts owed to the government.

**Findings:** USAAA determined that the U.S. Army Reserve Command forwarded appropriate and supportable data to establish original bonus entitlement and payment amounts. However, U.S. Army Reserve Command forwarded incorrect bonus debt data, which understated debt amounts for discharged soldiers. Primarily, this happened because U.S. Army Reserve Command followed Army Regulation 601-210 (Active and Reserve Components Enlistment Program) that was not consistent with DoD Instruction 1205.21 (Reserve Component Incentive Programs Procedures). U.S. Army Reserve Command's methodology for calculating bonus recoupment amounts was only partially consistent with Army Regulation 601-210. U.S. Army Reserve Command's methodology gave soldiers credit for earning bonuses even though they had continual unexcused absences from unit training assemblies. Overall, USAAA estimated U.S. Army Reserve Command understated bonus debts of \$20.3 million for this period by a net of \$9.9 million. U.S. Army Reserve Command unnecessarily paid \$1.3 million of \$3.9 million of Servicemembers' Group Life Insurance premiums for the 12 months ending March 31, 2011, because the Army did not have a uniform policy to terminate premium payments for soldiers when they had unexcused absences from unit training assemblies. U.S. Army Reserve Command did not terminate Servicemembers' Group Life Insurance coverage for these soldiers because DoD and Department

of Army guidance did not explicitly direct terminating Servicemembers' Group Life Insurance coverage for soldiers designated to have premiums withheld from their pay. USAAA estimated U.S. Army Reserve Command could realize potential monetary benefits of \$40.5 million during the FYs 2013 to 2018 program objective memorandum by revising its methodology to calculate bonus recoupment amounts.

**Result:** USAAA's review disclosed DFAS took appropriate action to collect the debts of all 48 soldiers in the statistical sample. DFAS sent demand letters to the 27 soldiers whose debts were economical to collect. Ten of those soldiers either paid their debts or worked out payment plans. The remaining soldiers' unsatisfied debts were reported to credit bureaus, the Treasury Offset Program or commercial collection firms in efforts to collect the debts. DFAS appropriately wrote off debts that were uneconomical to collect. USAAA's efforts led to Department of the Army Headquarters revising its regulation to be consistent with the DoD Instruction to ensure that all bonus recoupment amounts are calculated by only giving discharged soldiers credit for earning bonuses when they satisfactorily participated in unit training assemblies. Also, U.S. Army Reserve Command established new policies and procedures to be in concert with the Department of the Army Headquarters and DoD guidance.

**Report No. A-2013-0075-MTH**

## U.S. Army Criminal Investigation Command

### Significant Activities

The U.S. Army Criminal Investigation Command is a combat ready organization dedicated to providing the Army critical investigative support, actionable criminal intelligence, logistics security and protective services to senior DoD personnel around the globe. USACIDC has 469 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait and Afghanistan. This support extended beyond normal criminal

investigations and included logistics security operations; training host nation law enforcement personnel; detainee investigations; and the use of forensic sciences and criminal investigative techniques which aid combat commanders in identifying, targeting, capturing, deterring and prosecuting insurgents and criminal elements that pose a threat to U.S. forces.

Since Oct. 1, 2012, USACIDC generated more than 4,949 new reports of investigation and more than 3,789 non-report of interest investigative sequence actions. In spite of the demanding caseload, USACIDC maintained a solve rate of 99.6 percent for drug crimes, 95 percent for persons crimes, 98 percent for economic fraud crimes, 100 percent for violent death crimes, 89 percent for violent sex crimes, 64 percent for property crimes and 84 percent for miscellaneous crimes, with an overall solve rate of 96.8 percent. The solve rate for general crimes was 64 percent in comparison to the national average of 18.6 percent. USACIDC generated \$20,733,143 in recoveries during the reporting period.

USACIDC continues to place significant emphasis on the conduct of sexual assault and death investigations to help meet the intent of DoD and Army leadership in reducing the number of sexual assaults and suicides that affect the Army community. USACIDC hired additional dedicated sexual assault investigators, formed special units to improve the quality of sexual assault investigations and increased efforts to hold offenders accountable for their actions.

## Specialized Unit Operations

### Protective Services Battalion

The Protective Services Battalion conducted continuous worldwide executive protection from assassination, kidnapping, injury and embarrassment for designated senior high-risk personnel of the DoD, the Joint Chiefs of Staff and Army, and for their foreign counterparts during official visits to the United States. The Protective Service Branch also provided oversight of training and operational effectiveness for Combatant Commander protective services in U.S. Southern Command and U.S. Forces Korea.

Since Oct. 2012, the Protective Service Branch conducted more than 300 protective services missions in the continental United States, OCONUS and in deployed environments. This included three visiting foreign counterpart missions for ministers and chiefs of defense within the national capital region and throughout the continental United States. The Protective Service Branch continued to provide protective support for two former secretaries of defense and a former chairman of the joint chiefs of staff. The battalion's protective intelligence section conducted full spectrum threat assessments for every low, medium or high risk travel mission, and for each personal security vulnerability assessment, incorporating terrorist and criminal threat data into a comprehensive risk analysis program. The Protective Service Branch continued to deploy special agents to the U.S. Central Command to lead protective services details for senior U.S. combat commanders.

### Computer Crime Investigative Unit

The Computer Crime Investigative Unit supported the new DoD strategy for operating in cyberspace and the recently established U.S. Cyber Command and Army Cyber Command by aggressively investigating intrusions and related malicious activities targeting Army computer networks. The Computer Crime Investigative Unit's increased emphasis on insider threats came to the forefront with its lead role in DoD's cyber espionage investigation of the largest disclosure of classified material in U.S. history, allegedly perpetrated by an Army intelligence analyst in Iraq. The Computer Crime Investigative Unit's ongoing partnership with the Army chief information officer to conduct proactive vulnerability assessments of the LandWarNet produced noteworthy successes. This proactive crime prevention effort, part of Computer Crime Investigative Unit's multi-faceted virtual community policing campaign, identified and remediated vulnerabilities before cyber criminals or other adversaries could access and damage Army systems, steal or alter sensitive information, or disrupt network operations and other critical military actions. During this reporting period, Computer Crime Investigative Unit's vulnerability assessment program identified \$7.4 million in cost avoidance to the Army. Following the mandatory remediation



The USACIDC Protective Services Battalion on an official visit.

“Since October 2012, the Major Procurement Fraud Unit has initiated 93 investigations, with more than \$78 million in actual, total recoveries...”

of these vulnerabilities, no computer network compromises occurred at assessed installations for this reporting period.

## Major Procurement Fraud Unit

The Major Procurement Fraud Unit continues to combat fraud and corruption related to contingency operations. Its global mission is to conduct criminal investigations into allegations of fraud associated with major Army system acquisition programs to recover Army funds, ensure the integrity of the Army procurement process, and deter future crimes in order to preserve soldier safety and Army readiness. In support of the Major Procurement Fraud Unit's focus on allegations of fraud affecting contracting operations in contingency environments throughout the world, it has four forward operating investigative offices in Afghanistan and Kuwait. Since October 2012, the Major Procurement Fraud Unit has initiated 93 investigations, with more than \$78 million in actual, total recoveries and more than \$11 million returned to the Army. Specific to overseas contingency operations, the Major Procurement Fraud Unit initiated 13 investigations and realized more than \$3 million in fines and restitutions.

## U.S. Army Criminal Investigation Laboratory

The U.S. Army Criminal Investigation Laboratory, located in the Gillem Enclave, Ga., is the only full service forensic laboratory in DoD and provides forensic laboratory services to Department of Defense investigative agencies and other federal law enforcement agencies. USACIL examiners and analysts testify in federal, military and state courts as well as multinational courts. USACIL is on the forefront of battlefield forensics and has a robust Science and Technology Program collaborating with other laboratories and researchers, customers, law enforcement, academia and industry to develop state-of-the-art protocols in scientific investigation. During the reporting period, USACIL made several technological improvements:

- The Combined DNA Index System Branch completed the conversion to the next generation of CODIS software, CODIS 7.0. The conversion process took approximately six months and involved preparation of existing data to conform to new requirements,

extensive training of CODIS staff and all new equipment. The next generation CODIS software provides enhanced search capabilities and will increase the ability of the USACIL to leverage DNA data to provide investigative leads and information to investigative agencies throughout DoD.

- The Latent Print Branch has been instrumental with technological advances to super glue fuming and incorporating all other latent print processing techniques into one single system. The Adroit 300, a low-pressure sublimation processing system, was initially researched at USACIL, working closely with LINDE Gas Corporation of Germany (Canadian Division) and came on line at USACIL during February 2013. This system delivers “like” quality prints on every processing technique used in a single chamber unit. It reduces chemical usage and chemical cost on many latent print processes, is eco-friendly and computer-driven, eliminates human error in timing and formulation, is standardized for all users and is capable of developing prints. Operating cost is reduced, as little to no chemicals are required, development times are shortened and examiner time is minimized.
- The USACIL Logistics Branch occupied its newly renovated Logistics Operations Center at Gillem Enclave, Ga. The renovated facility provides comprehensive state-of-the-art logistics support to the continental United States and OCONUS operations. The USACIL Logistics Branch has completed the acquisition of one deployable forensic laboratory that will allow deployment to a theater in as little as 10 days.
- The Expeditionary Forensic Division and its subordinate organizations, the Expeditionary Forensic Laboratories and Reach Back Operations Center, recently changed their respective names to the Forensic Exploitation Directorate, Forensic Exploitation Teams, and Global Forensic Exploitation Center, respectively. These name changes better reflect the organizational structure that will be used to service the global customer base post-Operation Enduring Freedom. The mission of the organization has not changed as the



The USACIL is the only full service forensic laboratory in DoD.

Expeditionary Forensic Division will continue to provide full service forensic exploitation to the DoD customer base across the full range of military operations.

- The Global Forensic Exploitation Center received 302 new exploitation requests from the Afghanistan theatre of operations and completed 335, including 33 received during the previous reporting period. Of the total received and completed, the latent print section completed analysis on 107 submissions, 393 DNA submissions, 42 electronic engineering submissions, and four explosive chemistry submissions. The analysis of the received materials resulted in 632 searchable DNA profiles, yielding 588 biometric matches. There were more than 512 latent fingerprints found and 10 database matches.
- The Global Forensic Exploitation Center also received an additional 61 lab requests from the Armed Forces DNA Identification Laboratory containing 1,700 reference samples (buccal swabs) for processing in order to develop the DNA profile which can subsequently be searched in the appropriate database. The Expeditionary Forensic Division has reached an agreement with the Armed Forces DNA Identification Laboratory to provide the same processing services for the DNA reference swabs. The DNA branch has also created a database called Expeditionary Forensic DNA Index System. So far, more than 5,000 profiles have been entered into the database.

The Forensic Exploitation Team 3 deployed to Afghanistan Nov. 10, 2012, and continued the mission of providing forensic support to Regional Commands East, North, Capital, South and Southwest from three main laboratories at Kandahar Air Base, Bagram Air Base and Camp Leatherneck. The Forensic Exploitation Team 3 along with Combined Joint Task Force Theater Explosive Exploitation Paladin has operational control and support of four smaller satellite labs located at Camp Stone Herat, Camp Marmal Mazar-e-Sharif, the Multi-National Lab at Camp Warehouse Kabul and the Australian Lab in Tarin Kowt Uruzgan that provide support on a regional basis.

Forensic Exploitation Team 3 has maintained a robust capability to conduct forensic examinations in the following disciplines such as explosive triage, latent prints, DNA, chemistry (explosives and drug analyses), electronic engineering, firearms and tool marks and forensic/biometric enabled intelligence analysis. Its forensic analysis provides timely intelligence used for forensically linking known insurgents to capture enemy materiel, such as improvised explosive devices, weapons, documents and other materials that are used for targeting and prosecution in Afghan courts.

Between June 2010 and November 2012, Afghan court statistics from the Justice Center in Parham, disclosed out of 195 cases processed, evidence matched forensically using DNA and fingerprints to the insurgent had a 97 percent conviction rate and 99 percent affirmation on appeal. The average prison sentence for a conviction was 6.2 years. The maximum sentence was 16 years, and 46 percent of the sentences were between eight and 16 years.

The case load for forensic analysis in Afghanistan has continued to remain steady even during the mostly non-fighting season. The Forensic Exploitation Team 3 examiners conducted forensic examinations on more than 316,000 pieces of material completing more than 5,180 laboratory requests.

More than 700 insurgents were uniquely identified using latent prints and DNA processed from captured enemy materiel and matching to known profiles in DoD databases, of which 634 of those identifications came from latent prints submitted to the Biometrics Identity Management Agency and searched for in the Automated Biometric Identification System database and 124 identifications came from DNA submitted to the Armed Forces DNA Identification Laboratory and searched for in their database. Once insurgents were identified by DNA and/or fingerprints, 275 be-on-the-look-out notices were disseminated and 308 criminal activity analysis reports were developed.

“The analysis of the received materials resulted in 632 searchable DNA profiles, yielding 588 biometric matches.”



CTIF agents collected evidence to support potential prosecution of terrorists.

“... LEP personnel were instrumental in the arrest or capture of 29 insurgents, and spent 287 hours training 96 Afghan National Security Forces.”

## Criminal Investigation Task Force

USACIDC continued to serve as the executive agency for the DoD Criminal Investigation Task Force. CITF helps remove terrorists and insurgents from the battlefield by conducting criminal investigations of suspected terrorists in Guantanamo Bay, Cuba, and suspected terrorists and insurgents in Afghanistan.

Teams of USACIDC special agents, attorneys and analysts were located at CITF's headquarters, Fort Belvoir, Va.; several other locations in Virginia; several locations in Afghanistan; and the U.S. Naval Station at Guantanamo Bay. In Guantanamo and from CITF's headquarters, CITF teams continued to conduct criminal investigations of Guantanamo detainees and to pursue justice for the victims of the 9/11 attack on the United States and the Oct. 12, 2000 attack on the USS Cole. In the Afghanistan theater of operation, CITF deploys agents to conduct criminal investigations and criminal intelligence operations in support of various coalition task forces. They are responsible for suppressing insurgent activity, assisting the anticorruption efforts by the Afghan government and preventing stolen U.S. government property from falling into the hands of insurgent groups or being used to fund insurgent activities.

- At the Task Force Shafafiyat's Major Crimes Task Force, CITF agents mentored Afghan law enforcement officers working on high-profile corruption cases of Afghan officials and networks and provided training on investigating organized crime, weapons trafficking and other crimes.
- Afghan investigators working with CITF agents assigned to the Major Crimes Task Force recovered an estimated \$1.5 million of stolen U.S. military equipment. Recovered items included two large prime power industrial grade generators and a varied assortment of new high mobility multipurpose wheeled vehicle parts and tires.
- At the Criminal Prosecution Exploitation SSE Refinement Team, CITF agents collected and preserved evidence as close to the point of capture as possible. The evidence is used to support potential prosecution or continued detention of the most dangerous detainees.

## Law Enforcement Professionals

The Law Enforcement Professionals Program is an ongoing USACIDC-managed program which supports both the Army and the Marine Corps during contingency operations. The LEP Program embeds experienced former law enforcement personnel at all echelons from corps to battalion and some select companies.

During the reporting period, LEP personnel were instrumental in the arrest or capture of 29 insurgents, and spent 287 hours training 96 Afghan National Security Forces. The following summaries provide a snapshot of the contributions that LEP personnel provided to the combat mission in Afghanistan.

- On Sept. 30, 2012, two LEPs attached to Investigative Surveillance Unit Team Paktika were involved in an investigation that led to a joint operation with Afghan National Security Forces. Through the use of a cooperating individual, ANSF obtained information that an abandoned house was being used to make improvised explosive devices. After obtaining a search warrant from an Afghan prosecutor, ANSF conducted a search that resulted in the seizure of 50 kilograms of aluminum powder, 1,000 feet of detonating cord, 220 kilograms of chlorate-based HME, 10 remote receivers; two remote triggers, 1,000 electric elasting caps, 150 kilograms of potassium chlorate; eight pressure plates, 1,000 kilograms of ammonia nitrate, 1,000 kilograms processed ammonia nitrate HME; mortar rounds and other assorted munitions.
- Two Investigative Surveillance Unit LEPs provided support and guidance to ANSF who received information from a confidential informant who stated that a suicide bomber was going to attack the Provincial police headquarters or governor's compound in Paktika Province. The Investigative Surveillance Unit LEPs assisted in the interview of a confidential informant to gather details about the alleged attack. The resulting interview revealed the suicide bomber and his handler were going to conduct a reconnaissance of the targets prior to the attack. The ANSF, with the assistance of the LEPs, initiated a surveillance operation of

the target areas and apprehended both individuals without incident, thereby thwarting the attack.

- On Nov. 7, 2012, two LEPs attached to 3rd Battalion, 8th Marine Regiment mentored and advised ANSF units who had detained three suspected insurgents in possession of medium sized weapons and IED components. The two LEPs assisted the ANSF with the interviews of the suspected insurgents. Two of the suspects admitted to being insurgents and emplacing IEDs. The third suspect, a Pakistani national, admitted to being an insurgent fighter. One of the suspects was linked biometrically to an IED incident from 2010.

#### Command Intelligence Operations Center

The CIOC continues to expand its analytical support to investigative elements worldwide by collecting, assessing and disseminating criminal intelligence to USACIDC field elements conducting criminal investigations or employed in crime prevention efforts. The CIOC also continues to grow the Army's e-Guardian Program, which allows Army law enforcement to share and disseminate potential terrorist threat information with the FBI, other DoD law enforcement agencies, state and local civilian law enforcement authorities, nationwide. Within the past two years, USACIDC has increased Army e-Guardian reporting by more than 47 from 193 reports in 2011 to 284 in 2012; and increased the amount of e-Guardian users Army-wide from 222 users in 2011 to 461 in 2012. Since 2011, there have been six incidents that resulted in identifying a terrorist nexus. CIOC also acts as a liaison to the FBI National Joint Terrorism Task Force. CIOC personnel detailed to NJTTF and regional Joint Terrorism Task Force have assisted the FBI in several investigations concerning former Iraqi insurgents who entered the United States under various U.S. immigration programs. Additionally, CIOC members have been leading an initiative at the NJTTF to identify potential insider threats posed by DoD contractors working in support of U.S. military operations in the United States and overseas.

- CIOC acts as the lead agency responsible for the assignment, conduct and supervision of all USACIDC Criminal Activity Threat

Assessments completed in support of major conferences and events sponsored by the Army or subordinate units. These Criminal Activity Threat Assessments reports are used by the requesting unit or organization to identify the possible criminal and terrorist threats to planned events such as the annual Army Birthday Ball and the annual Army-Navy football game, and assist them with preparing an appropriate security plan for the event to mitigate any threats to the event or the senior civilian and military personnel who may be attending the event. In December 2012, at the special request of the Anti-Terrorism Branch, Office of the Provost Marshal General, personnel from the CIOC traveled to the Army-Navy game in Philadelphia and were on-site during the event to provide real-time intelligence and threat information and assist with security issues as needed. Members of CIOC assigned to support the Criminal Activity Threat Assessments mission work in conjunction with representatives from the FBI, Secret Service, Department of Homeland Security, National JTTF, CID field offices, and other local and state law enforcement and intelligence agencies in order to ensure the safety and security of Army sponsored events and the individuals attending these events.

- Since October 2011, the CIOC has had an analyst dedicated to solely monitoring the gang and domestic extremist threat to the Army. The analyst works with the National Gang Intelligence Center to cultivate working relationships with federal and state agencies and to share operational information. Gang activity continues to be a contributing factor in only a very low number of criminal investigations conducted by USACIDC. However, the threat of gang and domestic extremist groups conducting criminal activity on Army installations, the threat of extremist infiltration of the Army to pursue training in weapons and explosives, and the potential loss in public confidence by the appearance of the Army allowing extremists in its ranks requires constant monitoring.

“Within the past two years, USACIDC has increased Army e-Guardian reporting by more than 47 from 193 reports in 2011 to 284 in 2012.”

“With the assistance of ATF, USACIDC and ATF recovered 118 stolen items valued at approximately \$600,000.”

## Significant Investigative Cases

### Costs Charged to Government for Company's Reorganization

**Overview:** A joint investigation between USACIDC and DCIS revealed Aerojet, a subsidiary company of GenCorp Inc., knowingly passed unallowable proxy costs onto contracts awarded to the Tank Automotive and Armament Command and Aviation and Missile Command. Aerojet principally serves the missile and space propulsion, defense and armaments markets. Ninety-two percent of Aerojet's sales are attributable to government customers. Aerojet fraudulently included costs associated with resisting a 2004 takeover bid in calculating its indirect overhead rate proposals submitted to the government for various national defense-related contracts. Aerojet's inclusion of these costs inflated the subject rate and resulted in overpayments by the United States to the company. Aerojet also included unallowable costs associated with a 2006 proxy contest by another company in calculating such overhead rates. Applicable Federal Acquisition Regulations expressly disallow reimbursement for costs associated with “resisting or planning to resist the reorganization of the corporate structure of a business or a change in the controlling interest in the ownership of a business.” GenCorp Inc. was aware the costs associated with the proxy contest were not allowable and subsequently billed the Army approximately \$1.1 million in unallowable proxy costs in addition to fraudulent charges billed to the National Aeronautics and Space Administration.

**Result:** GenCorp Inc. entered into a civil settlement agreement in the Northern District Court of California and agreed to pay the government \$3.3 million.

### Murder of U.S. Army Specialist

**Overview:** This investigation was initiated after USACIDC was informed by base emergency officials of the death of an Army specialist in her barracks room. USACIDC established probable cause that an Army sergeant, Vincinte Jackson, murdered the specialist after he entered her barracks room and stabbed her approximately 70 times. During a search of the parking lot outside of the barracks where the specialist was found, USACIDC found a drop of blood on Jackson's

privately owned vehicle. USACIDC went to Jackson's barracks room and found him bleeding and unresponsive after an apparent suicide attempt. A knife with red stains on both the handle and the blade was found on the floor near Jackson. Forensic examinations of the evidence collected revealed Jackson's DNA was at three different locations within the specialist's room. Fibers found on Jackson's sweatshirt were matched to fibers from the specialist's blanket, pillowcase and shirt. Handwriting analysis of a note found at the scene of the suicide attempt was determined to be written by Jackson. In the note, Jackson expressed remorse for what he had done and provided instructions regarding what to do with his personal belongings. The note was dated and signed by Jackson. USACIDC was unable to identify a specific motive for the murder.

**Result:** On Dec. 13, 2012, Jackson was convicted by a jury for the unpremeditated murder of the specialist and was sentenced to reduction to the grade of E-1, forfeiture of all pay and allowances, life in prison with the eligibility for parole and a dishonorable discharge.

### Stolen Military Equipment Recovered

**Overview:** This investigation was initiated after the Joint-Base Lewis-McChord, Wash., USACIDC was notified of stolen military equipment to include thermal sites, night vision optical devices and other weapon accessories from a storage unit on base. The total value of the stolen property was approximately \$628,805. Confidential sources identified an Army private, Nicholas Solt, as being responsible for the larceny of the equipment. USACIDC discovered that Solt gave or sold the stolen equipment to several non-DoD civilians. With the assistance of ATF, USACIDC and ATF recovered 118 stolen items valued at approximately \$600,000. USACIDC uncovered several other unrelated thefts of military equipment and efforts to obstruct justice. The investigation revealed an Army staff sergeant and a specialist, David Greene, who stole approximately \$7,000 of assorted military property from a supply room on base and sold it to a specialist, Joshua Chandler. Forensic examination of the Army staff sergeant's cell phone revealed text messages instructing Chandler to get rid of the stolen property he purchased from the Army staff sergeant. Solt and Chandler threat-

ened to kill the other suspects if they disclosed information to USACIDC. Additionally, the investigation revealed a specialist, Troy Harris, stole multiple M249 machinegun barrels and gave them to Chandler. The barrels were subsequently sold to non-DoD civilians. USACIDC recovered 10 M294 machinegun barrels, 659 M4 magazines, a thermal camera, five rifle Aimpoint rifle scopes and 10 boxes of meals ready to eat, which were all reported as stolen.

**Result:** Solt was tried and convicted of larceny and destruction of government property by general court-martial and sentenced to 10 years confinement, reduction in rank to E-1, forfeiture of all pay and allowances and received a dishonorable discharge. Chandler was tried and convicted of larceny, conspiracy, perjury, and destruction of government property by general court-martial and sentenced to 10 years confinement, reduction to E-1; and forfeiture of all pay and allowances, and received a dishonorable discharge. Greene was tried and convicted of larceny and conspiracy by general court-martial and sentenced to 30 days confinement, 90 days hard labor without confinement, reduction in rank to E-1, forfeiture of \$500 per month for five months and a bad conduct discharge. Harris was tried and convicted of conspiracy and destruction of government property by general court martial and sentenced to three months confinement and reduction in rank to E-1. There was no action taken against the Army sergeant.

## Naval Audit Service

The Naval Audit Service’s mission is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability and program effectiveness. Each year, NAVAUDSVC works with senior Navy and Marine Corps officials to develop a risk-based audit plan addressing critical areas officials feel merit additional oversight. NAVAUDSVC also responds to requests from senior DON officials to provide audit work on emergent issues, such as the DON Financial Improvement Program initiative. In the past six months, NAVAUDSVC audits have addressed such issues as aviation safety, acquisition controls, contract administration and more. NAVAUDSVC audits of military

construction projects identified more than \$400 million in potential monetary benefits for DON through the elimination or reduction of various projects. To date, NAVAUDSVC’s FY 2013 assist reports for NCIS have identified approximately \$1.3 million in potential fraud. NAVAUDSVC will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical issues and, if necessary, make recommendations that address identified conditions and help DON achieve greater efficiency and effectiveness in its operations.

During this period, NAVAUDSVC issued 19 final reports, which identified \$443.9 million of potential funds to be put to other use. To date, management has agreed to \$424.3 million. NAVAUDSVC provided performance and financial audit coverage in areas with significant impact. The sources of work for reports published in this period are shown in Figure 4.1.

Figure 4.1 Workload by Source Published Reports October 1, 2012 – March 31, 2013

Source	Reports
Congressional Requests and Statutory	0
Management Requests	13
Risk Benefit Assessments	6
<b>Total</b>	<b>19</b>

Figure 4.2 shows the funds identified for potential other use through audit reports issued by NAVAUDSVC in the past three years.

Figure 4.2 Funds Identified for Potential Other Use (\$ in thousands)

Program	Past 3 Years	Past 6 Months
Acquisition Programs	\$399,827	\$0
Construction Programs	914,342	443,924
Logistics Programs	0	0
Other Programs	4,375	0
<b>Total</b>	<b>\$1,318,544</b>	<b>\$443,924</b>

“NAVAUDSVC audits of military construction projects identified more than \$400 million in potential monetary benefits for DON...”

“NAVAUDSVC determined that the prior contracting officer representative had improper oversight of the contract.”

Figure 4.3 shows the authorized and actual civilian year-end strengths for FYs 2010-2013.

Figure 4.3 Civilian Year-End Strength (Includes audit, other professional, administrative, and support personnel)

Fiscal Year	Authorized	Actual
2010	398	391
2011	398	370
2012	398	373
2013	383	366

Acquisition Processes and Contract Management

Naval Sea Systems Command, Logistics, Maintenance, and Industrial Operations Contract N00024-01-D-7025, DO 0001

**Overview:** NAVAUDSVC’s objective was to verify that payments made for contract N00024-01-D-7025, DO 0001 were valid and accurate, matched progress reports and had a proper contracting officer representative review.

**Findings:** NAVAUDSVC determined that the prior contracting officer representative had improper oversight of the contract. Specifically, the prior contracting officer representative (1) did not have the proper experience or technical knowledge to monitor the work being performed by the contractor, (2) was unable to match the work performed and reported on the progress reports to the proper invoices that were submitted and (3) was not involved in monitoring the contractor’s performance due to the prior program manager independently monitoring all aspects of the contract. CORs not adhering to their contracting responsibilities, as required by guidance, could prevent the government from having assurance that it was receiving the goods and services for which it was paying. Additionally, a lack of adherence to contract oversight responsibilities could lead to fraud, waste and abuse of government funds.

**Result:** NAVAUDSVC recommended that Naval Sea Systems Command, Maintenance, Modernization, Environment and Safety (1) establish internal controls to ensure that individuals appointed as CORs are technically competent in regard to the specific contract for which

they are responsible, and if they are not, ensure that they are properly trained on the technical aspects of the specific contracts, (2) establish internal controls to maintain auditable contract records as they relate to verifying work billed in comparison to work performed, (3) specifically, maintain more detailed records that relate progress reports of the technical work completed to the invoices received from the contractor and (4) establish internal controls to ensure proper separation of duties exist over the contract administration process.

Report No. N2013-0003

Department of the Navy Communications Security Account Reconciliation Under Common Tier 1 Accounting System

**Overview:** The audit objective was to verify that (1) all DON communication security accounts have been reconciled, for the first time, under Common Tier 1 accounting system, (2) inventory data is reliable and (3) supporting evidence is sufficient and appropriate to support final reconciliation determination by the respective central office of record.

**Findings:** NAVAUDSVC found that the DON’s Central Office of Record needs to improve their administrative procedures for reconciling and documenting DON Communications Security accounts. Specifically, NAVAUDSVC found managers were not maintaining sufficient evidence of inventory reconciliations and not always performing timely account reconciliations.

**Result:** NAVAUDSVC recommended that the DON develop formal policy addressing the management and oversight of communication security accounts and identify alternatives to reduce the overall reconciliation cycle and increase productivity.

Report No. N2013-0006

Joint Mission Planning System

**Overview:** The objective of the NAVAUDSVC audit was to verify that the oversight and program management planning and execution for the Joint Mission Planning System were effectively implemented to achieve its desired results.

**Findings:** NAVAUDSVC found that, prior to FY 2010, the Joint Mission Planning System Program Management Office did not sufficiently plan, manage or execute the program in accor-

dance with DON acquisition policy and guidance. For instance, NAVAUDSVC found the Joint Mission Planning System Program Management Office was developing two follow-on capability improvements, Framework Version 1.3.5 and 1.4, for the program, without:

- Recommending to the assistant secretary of the Navy (research, development and acquisition) that the oversight of the program needs to be raised to the level of an acquisition category I or II program.
- Establishing program goals for cost, schedule and performance supporting each increment.
- Updating program documentation needed for program execution and decision making.

**Result:** NAVAUDSVC recommended that Program Executive Office for Unmanned Aviation and Strike Weapons (1) request that the assistant secretary of the Navy (research, development, and acquisition) designate the Joint Mission Planning System as an acquisition category II program and (2) require the program manager for the Joint Mission Planning System to update the Acquisition Program Baseline Agreement and the Acquisition Strategy to incorporate the two follow-on capability improvements, Framework Version 1.3.5 and 1.4, for the Joint Mission Planning System.

**Report No. N2013-0007**

#### Internal Controls Over Selected Contracts and Blanket Purchase Agreements at Navy Region Mid-Atlantic, Fleet and Family Readiness

**Overview:** NAVAUDSVC analyzed whether selected acquisition instruments at Navy Region Mid-Atlantic, Fleet and Family Readiness were in compliance with applicable criteria, focusing on blanket purchase agreements and contracts related to prior assist work performed for NCIS.

**Findings:** Internal control weaknesses existed at Navy Region Mid-Atlantic, Fleet and Family Readiness which (1) allowed for more than \$715,000 to be spent above the \$50,000 authorized target value of a blanket purchase agreement, (2) did not ensure purchases were tracked/reconciled to the agreement call logs, (3) allowed use of one blanket purchase agreement after cancellation and (4) allowed invoices that were missing required information to be processed and paid. In addition, internal control weakness

allowed contracting officers to maintain contract files that did not contain documentation required by the command's instruction, which could result in the command being vulnerable to potential fraud, waste and misuse.

**Result:** NAVAUDSVC recommended that Navy Region Mid-Atlantic, Fleet and Family Readiness (1) establish oversight and procedures in the accounts payable department that ensure invoices paid against blanket purchase agreements contain all the elements required by command instruction, (2) establish oversight and procedures for purchasers to ensure that blanket purchase agreement call logs are maintained in accordance with command instruction, (3) establish a standard operating procedure for blanket purchase agreements, clarifying that purchases may not exceed the target amount nor exceed the maximum amount allowed by command instruction, (4) review all blanket purchase agreements currently in place to ensure that the target amounts have not been reached, ensure that only current blanket purchase agreements are being used and the blanket purchase agreement and contract files have all required documentation, and (5) establish oversight and procedures for contracting officers to ensure that the required documentation is included in all contract files.

**Report No. N2013-0012**

## Financial Management

#### Independent Attestation — Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls over Financial Reporting in the Department of the Navy, Phase 3

**Overview:** On July 28, 2011, an Office of the Under Secretary of Defense (Comptroller) memorandum requested that military department audit agencies apply their knowledge and experience in support of management's efforts to evaluate and strengthen their internal control environment, policies and procedures. On Aug. 19, 2011, the assistant secretary of the Navy (financial management and comptroller) issued a memo to DON organizations to comply with the comptroller's request. At the request of the assistant secretary of the navy (financial management and comptroller) and based on procedures agreed upon by NAVAUDSVC, the assistant secretary of the Navy (financial

“Information technology and audio-visual assets were not sufficiently controlled and accounted for and were vulnerable to waste and misuse.”

management and comptroller), and the director, Office of Financial Operations, NAVAUDSVC completed an attestation engagement. The objective of the attestation engagement was to verify that source documentation exists and is maintained for selected transactions, and to verify that targeted and limited internal controls are in place and functioning.

**Result:** Phase 3 reviewed 11 Navy Working Capital Fund activities and eight re-visits of general fund activities from Phase 1 of NAVAUDSVC's review. NAVAUDSVC found that of the 11 Navy Working Capital Fund sites completed, transactions were readily documented approximately 86 percent of the time and internal controls were in place and functioning reasonably approximately 71 percent of the time. In addition, NAVAUDSVC found that of the eight general fund sites revisited, transactions were readily documented approximately 88 percent of the time and internal controls were in place and functioning reasonably approximately 66 percent of the time. The previous results for those same eight general fund sites completed during Phase 1 were 93 percent and 40 percent, respectively. NAVAUDSVC provided this report to assist the DON in evaluating audit readiness related to transaction source documentation and selected testing of internal controls applicable to the documentation. Since this was an independent attestation, no recommendations were made.

**Report No. N2013-0002**

## Information Technology and Audio-Visual Asset Accountability at Selected Hospitals within Navy Medicine West

**Overview:** NAVAUDSVC analyzed whether the controls over property records were in place to ensure information technology and audio-visual assets were sufficiently accounted for at selected hospitals within Navy Medicine West.

**Findings:** Information technology and audio-visual assets were not sufficiently controlled and accounted for and were vulnerable to waste and misuse. Significant control weaknesses were found in processes including receipt and acceptance documentation; asset tracking and property recordkeeping; source document filing and maintenance; asset storage; asset disposal; and missing asset investigations. Hospitals could not locate 21 of the 227 statistically sampled items

(9 percent), which statistically equates to an estimated 2,031 missing assets, worth \$2.4 million. These items included laptops, desktops, personal digital assistants and monitors. Also, 102 of the 227 sampled property records (45 percent) contained key field documentation errors, and 631 assets valued at \$735,246 were not properly investigated. Furthermore, one hospital augmented its appropriations by \$95,265 by improperly disposing of information technology assets to a private contractor in lieu of disposing the assets through the Defense Logistics Agency Disposition Service.

**Result:** The audit recommended that Navy Medicine West develop and implement an oversight process to ensure compliance with record-keeping policies and that hospitals track information technology and audio-visual assets to the end users or department custodians. The Navy needs to set up a record-custody control process of all source documents, improve physical security controls of hospital warehouse storage, obtain documented authorizations to dispose of assets, maintain verifiable audit trails and use Defense Logistics Agency Disposition Services for disposal. Navy Medicine West needs to establish an oversight process to ensure hospitals sufficiently investigate missing property. In addition, the Navy needs to remit proceeds improperly received for disposing of information technology assets.

**Report No. N2013-0010**

## Information Assurance, Security and Privacy

### Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations

**Overview:** NAVAUDSVC conducted the audit to verify whether supporting documentation for selected DON programs was accurate and met the business process reengineering requirements defined in DoD policy and guidance.

**Findings:** NAVAUDSVC's review of supporting documentation for five selected commands' business process reengineering systems determined that there were opportunities to improve the business process reengineering assessment submission process. Two of the five commands



NAVAUDSVC reviewed documentation for selected DON programs.

selected for review did not provide full documentation to completely support assertions made about the business process reengineering submissions. One of the commands relied on decisions made more than a decade ago. Therefore, the supporting information provided was not a timely representation. Another command did not provide sufficient documentation to support the assessment submitted.

**Result:** NAVAUDSVC recommended that the deputy under secretary of the Navy/deputy chief management officer establish policy to strengthen management internal controls of business process reengineering documentation.

**Report No. N2013-0013**

## Other

### Navy Reserve Use of Per Diem

**Overview:** The audit objective was to verify that the Navy Reserve's use of per diem (1) complied with applicable laws and DoD and DON regulations and (2) when used in lieu of permanent change of station orders, was used appropriately. Specifically, NAVAUDSVC focused on the authorization of per diem for Navy reservists on mobilization, active duty training, and active duty for special work orders.

**Findings:** NAVAUDSVC found that authorization of Navy reservists' per diem for active duty training orders and active duty for special work orders generally complied with joint federal travel regulations and other pertinent guidance. Also, NAVAUDSVC did not find internal control weaknesses that they considered material. However, the audit did find an opportunity for improvement in compliance with JTFR policy for mobilization orders. NAVAUDSVC reviewed 102,645 Navy Reserve active duty for training, continental U.S. orders from FYs 2006 to 2010 and found at least 99.8 percent of the \$160.9 million of per diem authorized complied with JTFR order writing requirements for authorization of per diem. NAVAUDSVC tested 102 active duty for special work orders statistically selected from 1,716 CONUS orders from FYs 2007 to 2010 and found they all fully complied with the JTFR guidance regarding the authorization of per diem in excess of 180 days. For mobilization orders, the JTFR generally limits temporary duty and related per diem to no more than 180 days unless

authorized by a secretarial process for unusual circumstances, emergency circumstances, contingency operations or exigencies of the service concerned. According to DON officials, they did not use a secretarial process because they were unaware of the JTFR requirement to do so. According to U.S. Fleet Forces Command (Fleet Personnel, Resources, and Programs) data, there were 616 CONUS mobilization requirements as of July 1, 2012. If the formal secretarial process is not followed, the Navy will continue to be non-compliant with the JTFR and may lack sufficient controls for the authorization of per diem for reservists.

**Result:** NAVAUDSVC recommended deputy assistant secretary of the Navy (reserve affairs and total force integration) institute a secretarial process to determine that the call to active duty for reservists for other than training for more than 180 days at one location, with or without an extension, is required by unusual circumstances, emergency circumstances, contingency operations or exigencies of the service concerned. The secretarial process should also address current reservist activations that exceed, or are expected to exceed, 180 days.

**Report No. N2013-0011**

### Department of the Navy's Military Construction Projects Proposed for Fiscal Year 2014

**Overview:** NAVAUDSVC's objective was to verify that the project scope requirements were sufficiently supported for selected DON military construction projects.

**Findings:** NAVAUDSVC reviewed 15 (five Marine Corps and 10 Navy) projects valued at \$844.98 million. Thirteen of the 15 military construction projects selected were deemed needed; however, the remaining two projects, valued at \$412.73 million, were not needed. Ten projects were not sized in accordance with criteria and/or included items that were not required or authorized. The proposed military construction projects were over-scoped by \$31.194 million.

**Result:** NAVAUDSVC made recommendations to cancel the two unneeded projects and reduce the scope of the projects for a potential monetary benefit of \$443.9 million.

**Report No. N2013-0004**

“NAVAUDSVC made recommendations to cancel the two unneeded projects and reduce the scope of the projects for a potential monetary benefit of \$443.9 million.”

## Prioritization and Selection Process of Department of the Navy Aviation and Operational Safety Concerns

**Overview:** NAVAUDSVC's objective was to verify whether DON had an effective process in place to fund, implement and track required avionic safety capabilities on DON aircraft as outlined in Office of the Chief of Naval Operations Instruction 13210.1A.

**Findings:** NAVAUDSVC reviewed 27 type/model/series aircraft. Controls and oversight were not adequate to ensure that DON fully funded, implemented and tracked the four avionic safety capabilities required by Office of the Chief of Naval Operations Instruction 13210.1A. Six mishaps, with an estimated cost of \$315 million, were identified (from FYs 2007-2011) that had a direct reference to one of the four required safety capabilities. In the auditors' professional opinion, if the four safety capabilities are not fully funded, as a first priority, preventable mishaps and hazards that adversely affect asset availability may continue to occur. Inaccurate and inconsistent tracking of these capabilities may also hinder DON's ability to establish budget priorities and monitor at-risk aircraft.

**Result:** NAVAUDSVC recommended that Office of the Chief of Naval Operations' Air Warfare (N98) strengthen controls and oversight to ensure that the safety capabilities are considered for funding as a first priority for all DON aircraft; the status of compliance with the safety capabilities are sufficiently and accurately monitored and maintained; and the safety compliance matrix is published on a quarterly basis. In addition, program manager Air 265 agreed to strengthen controls and oversight to ensure that documentation in support of the implementation and installation of required safety capabilities is properly maintained.

**Report No. N2013-0001**

## Naval Station Guantanamo Bay Human Resources Office and Local National Employee Program

**Overview:** NAVAUDSVC's objective was to verify that (1) legal and regulatory requirements concerning labor affairs between Naval Station Guantanamo Bay and respective countries are properly executed, (2) internal controls are in place to ensure that hiring practices for local

nationals ("indirect hires") and resulting personnel actions are executed in accordance with established policies and procedures and (3) the appropriate authority has been granted to the individuals responsible for processing personnel actions.

**Findings:** NAVAUDSVC determined that opportunities existed for the Naval Station Guantanamo Bay Human Resources, the Navy Exchange and the Morale, Welfare and Recreation Office to improve internal controls, policies and procedures over personnel administration of non-U.S. citizens. This occurred due to insufficient application of internal controls over compensation; personnel action processing and overtime; employee recruitment and relations; and Foreign National Program oversight. As a result, Naval Station Guantanamo Bay Human Resources, the Navy Exchange and the Morale, Welfare and Recreation office could not provide reasonable assurance that personnel administration of non-U.S. citizens was conducted in accordance with applicable guidance.

**Result:** NAVAUDSVC recommended that the Navy Region Southeast commander establish and implement controls to ensure that reviews of various aspects of the foreign national employee program at the Naval Station Guantanamo Bay Human Resources Office and the Naval Station Guantanamo Bay Morale, Welfare and Recreation Human Resources Office are conducted on a regular, consistent basis and corrective actions from prior reviews are taken. NAVAUDSVC recommended that Naval Station Guantanamo Bay commanding officer update Naval Station Guantanamo Bay instruction 12000.7 to include (1) documentation requirements for each activity to support supervisor confirmation of acceptable employee performance when granting within-grade increases, (2) clear, specific instructions for calculating separation pay, (3) documentation requirements for each activity to support separation pay calculations and payments, (4) procedures for maintaining documentation of prior authorization for overtime, (5) procedures for recruiting employees from Jamaica and other countries, (6) documentation requirements for vacancy announcements and (7) procedures for the disestablishment and subsequent re-establishment of the Cuban Community Committee, including documenta-

tion requirements. In addition, establish specific written authority to process and approve personnel actions for appropriate personnel in accordance with Office of Personnel Management guidance. Also, establish and implement procedures to ensure that employees' personnel files include all required personnel action documentation. NAVAUDSVC recommended that Navy Exchange Command Southeast District establish and implement controls to ensure that reviews of various aspects of the foreign national employee program are conducted on a regular, consistent basis. In addition, NAVAUDSVC recommended that Navy Exchange general manager establish and implement procedures to ensure that within-grade increases are granted and processed in accordance with applicable criteria. Also, establish and implement procedures to ensure that all personnel actions are reviewed and approved by appropriate personnel; and establish and implement procedures to ensure that employees' personnel files include all required personnel action documentation. NAVAUDSVC also recommended that the Morale, Welfare and Recreation Office director establish and implement procedures to ensure that all personnel actions are reviewed and approved by appropriate personnel, and establish and implement procedures for ensuring that employees' personnel files include all required personnel action documentation.

**Report No. N2013-0005**

## Naval Criminal Investigative Service

### Significant Activities

The Naval Criminal Investigative Service has primary responsibility for law enforcement and counterintelligence within the Department of the Navy and actively supports interagency efforts to identify and interdict terrorist activity. NCIS's focus on information dominance and investigative and operational excellence provides Navy and Marine Corps commanders with decision-making advantage over our adversaries.

### Combating Insider Threat

NCIS's operations tempo for national security operations and investigations continued to increase. An aggressive Department-wide insider threat briefing program and NCIS's continued cooperation with partners throughout the U.S. government led to an increase in investigations of suspected espionage and foreign collection targeting Navy and Marine Corps personnel and technologies. During a typical year, NCIS makes one or two arrests for suspected espionage and related crimes. In the past six months, 12 individuals were arrested and indicted for espionage and related crimes after a joint investigation involving FBI, Commerce Department and NCIS. Eleven of the arrests were attributable to a multi-year, multi-agency investigation that successfully leveraged the strengths and capabilities of each agency.

NCIS is currently working with defense contractors to identify and mitigate specific threats to the Navy that were exposed during an FBI, Commerce Department and NCIS joint investigation into illicit procurement activities. In October 2012, 11 people connected to a Russian military procurement network were indicted for illegally obtaining and exporting high-tech microelectronics used for weapons guidance and radar and surveillance systems. The network obtained high-tech goods from a variety of manufacturers and suppliers through a front company in Texas and then used intermediaries to export the goods to end-users in Russia, including the military. Additionally, 165 foreign persons and companies that facilitated the defendants' export of controlled commodities were added to the Commerce Department's Entity List, a designation, which effectively prevents them from receiving goods exported from the United States.

In late October 2012, a joint FBI and NCIS investigation led to the arrest and indictment of a contract linguist working in Bahrain. James F. Hitselberger was charged with two counts of unlawful retention of national defense information. According to the criminal complaint, the investigation revealed probable cause that Hitselberger, who had received extensive training in the proper handling of classified materials, unlawfully retained classified reports that contained current and sensitive information about the activities of

“In the past six months,  
12 individuals were  
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U.S. armed forces in the region. NCIS leveraged relationships with diplomatic and law enforcement partners to track Hitselberger around the world and serve the arrest warrant. Hitselberger was arrested in Kuwait, a testament to the strong diplomatic relationships and the trust and confidence foreign governments have in NCIS.

In December 2012, a joint FBI and NCIS investigation led to the arrest of a former sailor who was willing to give information to a presumed foreign entity about U.S. submarine capabilities. Robert Patrick Hoffman II, a 20-year Navy veteran was indicted by a federal grand jury for attempting to provide classified information to individuals whom he believed to be representatives of the Russian Federation. Hoffman, however, delivered the information to the FBI during the undercover operation. Again, collaboration with strategic partners was critical to identifying Hoffman as a suspect and building a case for prosecution.

### Investigating and Reducing Family & Sexual Violence

In an effort to resolve cases faster and minimize the effects of family and sexual violence in the Navy and Marine Corps, NCIS began implementing the Adult Sexual Assault Program, an effort centered on dedicated, multidisciplinary teams that respond to all allegations of adult sexual assault. The teams are led by a dedicated family and sexual violence supervisory special agent and consist of NCIS special agents and investigators, as well as representatives from the base and local police. The approach also enhances NCIS's interaction with the legal community and other members of the sexual assault prevention and response multidisciplinary teams forming at all military installations.

In 2012, dedicated Adult Sexual Assault Program teams were created at Camp Lejeune, N.C., Camp Pendleton, Calif., Norfolk, Va., San Diego, Calif. and Okinawa, Japan. Implementation is underway in Hawaii; Yokosuka, Japan; and the National Capital Region. The goal is for teams to complete the majority of investigative actions for each case within 14 days. The Norfolk Adult Sexual Assault Program team averages two days.

In addition, NCIS developed a comprehensive, three-course training program to ensure investigators know the most current information and procedures for responding to sexual and family violence. The three-course training included the Advanced Adult Sexual Violence Training Program, the trial Component Training Program and the U.S. Navy Trial Counsel Assistance Program. The Advanced Adult Sexual Violence Training Program was developed with USACIDC, and the Trial Component Training Program was developed in conjunction with the Navy Trial Counsel Assistance Program.

### Focused Collaboration and Partnerships

NCIS targets the transnational organized networks (such as pirates in the 5th Fleet area of responsibility and drug traffickers in the 4th Fleet area of responsibility) that criminal enterprises employ to transport weapons, cash, narcotics and other contraband. The disruption and interdiction of criminals leads to actionable intelligence and decision advantage in times of conflict. In addition, proactive law enforcement support provided Navy Commanders a non-kinetic response option on the high seas, allowing them to maintain mission focus.

NCIS special agents assigned to Intelligence Exploitation Teams leveraged law enforcement and security relationships in U.S. Southern Command to support U.S. Naval Forces Southern Command and 4th Fleet to interdict, arrest and interrogate suspected drug traffickers.

NCIS provided information that led to the interdiction of a high-performance speedboat used by smugglers and targeted by the Joint Interagency Task Force South. More than 780 kilograms of cocaine, with a street value of \$23.4 million, was seized, and four people were detained.

In December 2012, NCIS provided intelligence that enabled partners to locate a suspected narcotics trafficker in the eastern Pacific Ocean and destroy 300 kilograms of cocaine. In January 2013, NCIS provided guidance that enabled a boarding team to seize two cellphones, a GPS and numerous phone numbers after the interdiction of a high-performance speedboat. The



intelligence was passed to DEA Cartagena and other Navy assets for further action.

Because of NCIS's partnership with Europol, British and French forces positively identified the No. 1 most wanted pirate by European Union Naval Forces. When he was arrested recently, along with 11 other suspected pirates, his fingerprints matched those of a pirate NCIS had biometrically enrolled in 2010. NCIS's partnerships with Europol and INTERPOL provide a broad coalition engaged in counter piracy efforts with access to thousands of piracy-related biometrics enrollments.

In November 2012, 13 adult Somali pirates were sentenced to 18 years in prison and two juveniles each received four years for hijacking a fishing vessel and holding the crew hostage for 40 days. NCIS assisted in the capture and arrest, and obtained full confessions during interrogation. In addition, NCIS played a large role with the State Department, various coalition authorities and the Seychelles government in building the case and securing the prosecution venue.

Mohamad Saali Shibin, a land-based Somali pirate negotiator, received 12 life terms plus 30 years and was ordered to pay \$5.4 million for his role in two hijackings. The joint FBI and NCIS investigation required collaboration with Naval Special Warfare assets, the State Department and various foreign counterparts to identify, locate and extract Shibin from Somalia. NCIS analysts provided the investigative and trial teams with information linking Shibin to known pirate financiers, facilitators and action teams.

NCIS spearheaded the development of the Joint Counterterrorism Coordination Cell enabling military departments investigating terrorism to leverage the strategic terrorism analysis of the Defense Intelligence Agency. The Joint Counterterrorism Coordination Cell, located at Marine Corps Base Quantico, Va., will facilitate coordination, de-confliction and analytic functions in support of investigations by the NCIS, DIA, Air Force Office of Special Investigations, USACIDC and Army Military Intelligence, military department counterintelligence organizations and the military criminal investigative

organizations. Collaboration and information sharing helps agencies identify and minimize duplicative effort and provides a higher level of intelligence support to DoD entities investigating national security and terrorism cases.

Information shared among the NCIS, FBI, the Commerce Department and other partners within the Export Enforcement Coordination Center helped advance investigations of targets being investigated by more than one partner agency. E2C2 allows agencies to de-conflict and coordinate investigations to determine whether a target or source is already being used by another agency. In the first year, 79 of the 1,300 E2C2 de-confliction requests to NCIS revealed crossover with an existing investigation or source. Through its participation in E2C2, NCIS discovered new information relating to six targets of ongoing investigations, and NCIS shared information pertaining to 43 subjects under investigation by a partner agency.

NCIS obtained 19,000 foreign biometrics cards from partner nations and enrolled them into the FBI's Integrated Automated Fingerprint Identification System. During the reporting period, biometrics queries supporting NCIS operations and investigations led to the extradition of a known terrorist and to the denial of a criminal seeking refugee status in the United States.

#### Leveraging Technical Capabilities Across Mission Areas

NCIS formed a centralized unit to oversee and manage technical operations and capabilities across the enterprise. The Electronic Surveillance Operations Center leverages technology to identify efficiencies and encourage innovation in supporting criminal, counterintelligence and terrorism operations and investigations. During the reporting period, new analytic tools were developed that allow investigators to review surveillance video quickly and use GPS software to calculate stops and deviations based on a target's movements.

NCIS improved the quality of digitally collected evidence and decreased the time to collect it by automating digital evidence collection. The Law Enforcement Telephone System centrally re-



NCIS agents assisted in the capture and interrogation of suspected pirates.



NCIS collected biometrics in support of international law enforcement.

“NCIS provided more than 250 finished intelligence assessments and analytical reports to Navy and Marine Corps elements worldwide.”

cords calls and text messages, establishes cover voicemail accounts for undercover operations and changes caller identification numbers for NCIS field agents collecting evidence through approved, digital means.

Polygraph examinations continued to be an important investigative tool across all aspects of the NCIS mission. During the reporting period, NCIS conducted 4,500 polygraph examinations, including 600 issue-specific examinations; 3,900 counterintelligence scope polygraph examinations, of which 44 were referred for investigation; and obtained admissions in 213 counterintelligence scope polygraph examinations. The following exemplify NCIS's use of polygraph examinations to support investigations of sexual assault and crimes against persons (of the four cases below, the three sexual cases are pending prosecution).

- NCIS obtained a confession in the case of a toddler found unresponsive by her parents, both Marines stationed at Twenty-Nine Palms, Calif. During an NCIS-administered polygraph, a friend of the parents confessed to striking and killing the infant. The Marine lance corporal was convicted of second-degree murder and sentenced to 25 years to life in October 2012.
- NCIS obtained a confession from a sailor accused of raping and sexually abusing his younger sister during the eight years prior to his enlistment. Although no physical evidence was recovered, the petty officer third class fully confessed during an NCIS-administered polygraph examination in January 2013.
- NCIS resolved a sexual assault investigation after a Navy petty officer second class confessed that he provided a false statement when he told investigators that the victim was a coherent, willing sexual partner. Her memory of the assault was vague due to the effects of alcohol, but he admitted during the polygraph examination that she had not given consent.
- NCIS obtained a confession from Navy seaman accused of sexually assaulting a Navy seaman apprentice who had no recollection of events due to intoxication. In an oral/wire intercept, the sailor told the victim

they engaged in consensual sex. He admitted to NCIS polygraph examiners, however, that the victim was unresponsive during the assault.

### Supporting Forward-Deployed Forces

During the first half of FY 2013, 46 NCIS personnel deployed to Afghanistan and the Horn of Africa supporting overseas contingency operations.

In August 2012, an Afghan man wearing an Afghan Uniformed Police uniform opened fire with an assault rifle aboard Village Stability Platform Puzeh in the Helmand Province of Afghanistan. The gunman killed three and injured one before escaping the area. Using facial-recognition software, NCIS identified the suspect as Abdul Razaq by matching the picture on his Afghan uniformed police identification card to that of a man in a Taliban propaganda video. Razaq is believed to have been killed during fighting with coalition forces.

In summer 2012, NCIS discovered a significant threat to DoD forces traveling along Highway 1 in Afghanistan. Metal grates that prevent placing IEDs in the culverts underneath the highway were not installed in all 625 culverts, as the contracting companies fraudulently claimed. The Afghan companies hired to install the Culvert Denial Systems submitted photographs as evidence the work was complete, which the U.S. forces contracting officer representatives accepted. However, two Army service members were killed and four soldiers were injured in separate IED explosions as they traveled over culverts on Highway 1. NCIS's investigation determined that not all of the culvert denial systems had been installed. A trial counsel has been assigned to pursue prosecution under the Uniform Code of Military Justice. Meanwhile, all of the culvert denial systems have since been installed.

NCIS provided more than 250 finished intelligence assessments and analytical reports to Navy and Marine Corps elements worldwide. Of those, 238 were prepared specifically for warships, forward-deployed forces and other transiting units. By leveraging intelligence from partners, NCIS fused local information on cur-

rent criminal, terrorist, espionage and civil disturbance risks with the latest intelligence reporting and assessments of current and emerging asymmetric threats.

## Significant Investigative Cases

### False, Fictitious and Fraudulent Claims

**Overview:** An investigation was initiated after the commanding officer of Camp Mujuk, Pohang, Korea, expressed concerns with discrepancies in cost estimates for pending projects inside camp. A joint NCIS and DCIS investigation revealed evidence of unbalanced and defective pricing by LIG Engineering & Construction and identified an elaborate conspiracy to commit offenses to defraud the United States, the making of a false bid to defraud the United States and false statements between multiple Korean construction companies.

**Result:** In January 2013, LIG Engineering & Construction was debarred from contracting with U.S. Forces Korea and the U.S. government for three years. The Seoul Central Prosecutor's Office sentenced four co-subjects to a total of 12 years of imprisonment in sentences ranging from two years and six-months to three years and six-months. One co-subject was sentenced to five years of probation for their involvement in fraudulent activities with U.S. government-administered contracts in Korea. U.S. Forces Korea issued (1) debarments to LIG Engineering & Construction from contracting with U.S. Forces Korea and the U.S. government for a total of 43 years, (2) U.S. Force Korea-wide installation debarments for a total of 24 years and (3) the commander of Fleet Activities Chinhae issued installation debarments totaling 20 years. The U.S. embassy also revoked two nonimmigrant visas. Two major contracts worth \$46 million were identified as being awarded under fraudulent conditions and canceled.

### Fraudulent Claims by Linguists in Afghanistan

**Overview:** This case was initiated in 2005 after NCIS received a qui tam complaint alleging that Worldwide Language Resources fraudulently invoiced the Department of Defense for interpreter services in Afghanistan. The complaint alleged the contractor billed for translation services that were not provided, double-billed for

services that were provided and misrepresented the number of hours services were provided. Additionally, the complaint alleged Worldwide Language Resources falsified compliance with contractual minimum proficiency testing requirements.

**Result:** In December 2012, Worldwide Language Resources and its president reached an agreement to pay the U.S. government \$5,000,000 to settle these fraud allegations with the former employees who reported the allegation to share \$925,000 from the settlement in accordance with the whistleblower provision of the False Claims Act.

### Contractor Substitutes Multi-Terrain Loaders Supporting the Marines

**Overview:** This case was initiated in October 2010 after NCIS was notified that the engines in 24 multi-terrain loaders provided by Caterpillar had been delivered to Marine Corps Logistics Base Albany, Ga., with rust damage. Experts, engineers and inspection personnel at the base confirmed the rust and related damage, as well as identified other possibly compromised loaders. A review of 25,000 subpoenaed documents revealed that although Caterpillar employees tried to repair and hide the extent of the damage, they knowingly provided rusted engines to the Marine Corps.

**Result:** In September 2012, the U.S. Attorney's Office, Eastern District of Virginia, and Caterpillar reached a settlement in which the company agreed to replace 15 new multi-terrain loaders, including standard warranty and required modifications, and 10 sets of tools to the Marine Corps Logistics Base. Caterpillar also agreed to pay the Department of Justice \$275,000.

### Attempted Murder for Hire

**Overview:** This case was initiated in May 2012 after NCIS received information that Matthew Wilson, a lance corporal, 10th Marine Regiment, Second Marine Division at Camp Lejeune, N.C., was planning to hire someone to murder his wife so he could claim her \$100,000 life insurance policy. Wilson had solicited assistance from his girlfriend to help execute his plan. The girlfriend informed NCIS of the plan and agreed to assist NCIS by telling Wilson she had an uncle,

“Experts, engineers and inspection personnel at the base confirmed the rust and related damage...”

“In April 2012, NCIS responded to an allegation of kidnap, assault and rape aboard the USS Vella Gulf...”

an undercover NCIS special agent, in the Italian mafia who could provide assistance. On May 10, 2012, the undercover agent and Wilson met and discussed the murder of his wife. Wilson made a down payment to the undercover agent in the amount of \$700.

**Result:** In December 2012, Wilson was tried and convicted of attempted murder by general court-martial and sentenced to 23 years of confinement, forfeiture of all pay and allowances, reduction to E-1 and a dishonorable discharge.

#### **Kidnapping and Rape Aboard the USS Vella Gulf**

**Overview:** In April 2012, NCIS responded to an allegation of kidnap, assault and rape aboard the USS Vella Gulf, a missile cruiser deployed in the Mediterranean Sea. A female petty officer third class claimed that after her shift the previous night, a coworker kidnapped and brutally raped her. She reported that the petty officer, Daniel Wilt, forced her by knifepoint to a “kill room,” described as a forward hold lined with duct tape and plastic garbage bags. Wilt restrained her with zip ties and duct tape and assaulted her for more than two hours. After the assault, Wilt brandished a dagger, a hacksaw and a face shield, and he explained in detail how he was going to dismember her and throw her overboard in weighted bags. She talked Wilt into letting her go by promising not to report him. Wilt released her, saying she was “lucky” he forgot his hatchet, and instructed her to meet him again in 20 minutes. The victim returned to her berthing and reported the assault. NCIS deployed agents from Greece and Italy by helicopter in response to the allegation. During an interview, Wilt claimed he was role playing with the victim during consensual sex.

**Result:** In December 2012, Wilt entered a plea of not guilty. Under a general court-martial ruling, Wilt was found guilty of rape, forcible sodomy, assault, and willfully and wrongfully holding another service member, and sentenced to life in prison, reduction to E-1, forfeiture of all pay and allowances be paid to the dependents, and a dishonorable discharge. Wilt will be required to register and maintain registration as a sexual offender.

#### **Sexual Assault in Dubai**

**Overview:** In January 2012, NCIS received an allegation from the Maritime Expeditionary Security Squadron 8 that a hospital corpsman, Donald McAllister, sexually assaulted a subordinate male petty officer in Dubai. The petty officer alleged he had been sexually harassed, assaulted and threatened by McAllister regularly for a time span of two to three years. The petty officer alleged McAllister had drugged the petty officer with prescription sedatives to render the petty officer incapable of fending off an attack. During the investigation, NCIS discovered another subordinate petty officer who had been assaulted in a similar manner by McAllister. In an interview with NCIS, McAllister confessed to the assaults of the two subordinate petty officers.

**Result:** On Oct. 25, 2012, McAllister was tried and convicted by a general court-martial of sexual harassment, cruelty and maltreatment, aggravated sexual contact, abusive sexual contact, and wrongful sexual contact. McAllister was sentenced to 14 years of confinement, reduction to E-1, forfeiture of all pay and allowances, and a dishonorable discharge. McAllister will be required to register and maintain registration as a sexual offender.

#### **Sexual Offender Convicted**

**Overview:** This case was initiated in May 2012 after NCIS received an allegation that a Marine’s wife had been sodomized by a Marine Corps sergeant, Frances Captain. At the time of the incident, the wife was home alone with Captain and under the influence of alcohol. Due to the side effects of the alcohol, the wife could not positively identify Captain as the offender. While NCIS was unable to obtain a confession from Captain, they were able to link him to the crime after processing the crime scene and DNA evidence. Additionally, NCIS received a tip that Captain had bragged about sexually assaulting other Marines and civilians. The tip provided the names of three potential victims. NCIS discovered one victim had reported the assault in 2010, but Captain was acquitted. The other reported victim relayed that no assault had occurred. The third victim alleged she was raped by Captain in 2009 while being intoxicated at her barracks room in Camp Pendleton, Calif. While investigating the 2009 incident, NCIS examined the

third victim's room at the time of the incident and identified a witness who saw Captain and the third victim together at the barracks on the night of the assault. The witness account of the incident in 2009 led to Captain's conviction.

**Result:** In January 2013, Captain was tried and convicted by a general court-martial of abusive sexual contact. He was sentenced to five and a half years of confinement, reduction to E-1, fined \$50,000 and given a dishonorable discharge. Captain will be required to register and maintain registration as a sexual offender.

#### Sexual Assault of a Lance Corporal

**Overview:** This case was initiated in March 2012 after NCIS received an allegation of a rape at Marine Corps Air Station Futenma, Okinawa, Japan. A female lance corporal awoke after passing out from intoxication to find the barracks duty officer, Sergeant Christopher Olcott, assigned to the 1st Marine Aircraft Wing, sexually assaulting her. Witness interviews disclosed on the night of the incident that Olcott was checking for unlocked rooms supporting the lance corporal's account. Despite the limited recollection of events from the lance corporal, physical evidence, DNA analysis and a cell phone containing nude photographs of the unconscious lance corporal linked Olcott to the allegation.

**Result:** In January 2013, Olcott was tried and convicted by general court-martial of indecent acts, burglary and aggravated sexual assault. Olcott was sentenced to eight years of confinement, forfeiture of all pay and allowances, reduction to E-1 and a bad conduct discharge. Olcott will be required to register and maintain registration as a sexual offender.

## Air Force Audit Agency

### Air Force Audit Agency

The Air Force Audit Agency mission is to provide all levels of Air Force management timely, relevant and quality audit services by reviewing and promoting the economy, effectiveness and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision-makers, AFAA has approximately 650 personnel at more than 50 worldwide locations. AFAA conducts centrally directed, Air Force wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced and value-added audit services, AFAA audit planning methods include frequent contact with Air Force senior leaders and Joint Audit Planning Groups. The FY 2013 Audit Plan was prepared in partnership with Air Force decision-makers to address the most significant areas of management concern. As such, AFAA ongoing and planned audits address many of the Air Force's most critical programs and initiatives, including topics such as personnel training, information assurance, environmental management, systems acquisition, health initiatives and Afghanistan base closure planning.

Further, the secretary of defense called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of calendar year 2014 and of all Department financial statements by 2017. The secretary also called for personnel to increase emphasis on asset accountability and execute a full review of financial controls. Accordingly, during the first half of FY 2013, AFAA completed seven system accounting conformance audits and five system application control audits in direct support of Air Force financial improvement and audit readiness.

## Air Force

“To support Air Force decision makers, AFAA has approximately 650 personnel at more than 50 worldwide locations.”

“Sixty-three percent of redeployed and deployed airmen at 16 locations did not accomplish required expeditionary training”

During the first half of FY 2013, the AFAA published 52 centrally directed audit reports, made 86 recommendations to Air Force senior officials and identified \$365.6 million in potential monetary benefits. The following paragraphs provide and synopsise a few examples of AFAA audit coverage related to specific DoD management challenge areas.

## Joint Warfighting and Readiness

### United States Air Forces Central Area of Responsibility Base-Level Inventory Management

**Overview:** AFAA determined if area of responsibility personnel properly managed and accounted for base-level inventory.

**Findings:** Area of responsibility personnel did not properly manage adjusted stock levels or account for or store base-level inventory.

**Result:** Canceling invalid adjusted stock levels allows the Air Force to reduce FY 2013 to 2017 budget requirements by \$102,727. In addition, proper accounting for inventory improves asset visibility in inventory systems and prevents shortages and unnecessary purchases, while reducing the risk of undetected theft or loss. Finally, proper storage reduces the risk of security incidents, losses due to damage and ensures assets can be located in a timely manner. AFAA made four recommendations to improve base-level inventory management.

**Report No. F2013-0002-L20000**

### Weapon System Equipment Allowance Standards

**Overview:** AFAA determined if Air Force logistics personnel established and maintained accurate allowances for weapon system equipment and validated the accuracy of Air Force Equipment Management System configuration data for weapon system equipment allowances.

**Findings:** Base-level equipment custodians provided inaccurate allowance data to allowance managers for both mobility-use and base-use weapon system equipment allowance standards. Additionally, equipment custodians at 14 of 16 organizations did not adequately validate the Air Force Equipment Management System con-

figuration data for weapon system equipment allowances.

**Result:** As a result of inaccurate allowance data, the weapon system equipment budget was overstated by \$111 million. Air Force personnel can reduce authorizations and redistribute excess equipment to fill other valid equipment requirements. In addition, accurate configuration data helps ensure equipment is available when and where needed. AFAA made two recommendations to improve the management of weapon system equipment allowances.

**Report No. F2013-0003-L40000**

### Training and Equipping Expeditionary Airmen

**Overview:** AFAA determined whether deployed airmen completed required training and received necessary equipment.

**Findings:** Sixty-three percent of redeployed and deployed airmen at 16 locations did not accomplish required expeditionary training. In addition, 27 percent of deploying airmen did not receive necessary equipment items.

**Result:** Providing deploying members the necessary skills improves warfighting capability and helps support current and future contingency operations. For the 16 locations reviewed, audit projected that in FY 2011, at least 2,041 airmen deployed without completing more than 7,100 required expeditionary skills courses. In addition, providing airmen with the necessary equipment items improves warfighting capabilities, while limiting equipment issues to only needed items effectively maximizes resources. AFAA made three recommendations to improve management of training and equipping expeditionary airmen.

**Report No. F2013-0003-O40000**

## Information Assurance, Security and Privacy

### Information Technology Efficiencies Initiative Commercial Satellite Communications

**Overview:** AFAA determined whether the commercial satellite communications information technology baseline was complete and expenditures were supported and recorded in the Air Force General Accounting and Finance System.



AFAA reviewed Air Force allowances for weapon system equipment.

**Findings:** Air Force personnel did not develop a valid FY 2009 baseline of commercial satellite communications information technology expenditures. To illustrate, \$165 million (59 percent) of the \$281 million of baseline expenditures were not identifiable to commercial satellite communications management, and therefore, not auditable. Further, analyses of \$65.5 million of the \$116 million in auditable expenditures revealed Air Force personnel could not match baseline expenditures with supporting documents and Air Force General Accounting and Finance System-recorded expenditures.

**Result:** Without a valid expense baseline, the Air Force cannot effectively track or demonstrate the commercial satellite communications efficiency-initiative savings contribution toward the Air Force's \$33.3 billion goal. AFAA made two recommendations to improve commercial satellite communications information technology baseline data and Air Force General Accounting and Finance System-recorded expenditures.

**Report No. F2013-0001-O10000**

#### Enterprise Information Protection Capability

**Overview:** AFAA determined whether major commands, direct reporting units and installation officials properly established information protection offices or effectively managed core information protection programs.

**Findings:** Air Force organizations did not properly establish information protection offices or effectively manage core information protection programs.

**Result:** Properly established information protection offices reduce the risk of unauthorized disclosure, compromise or loss of Air Force operational and other critical information. In addition, effective information protection management ensures priority over national security concerns is maintained and the risk of unauthorized collection and exploitation of Air Force information is mitigated. AFAA made two recommendations to improve information protection office implementation and controls of information protection programs.

**Report No. F2013-0005-O10000**

#### Follow-up Audit, Freedom of Information Act

**Overview:** AFAA evaluated management actions implemented in response to Recommendations A.1 through D.1 in Report of Audit F2009-0004-FB4000, Freedom of Information Act, June 3, 2009. Specifically, audit determined if Freedom of Information Act managers properly recorded, tracked and efficiently processed FOIA requests; provided the public electronic access to frequently requested records; identified, assessed and recouped costs and fees for processing FOIA requests; and minimized FOIA request backlogs.

**Findings:** Although Air Force officials implemented a new FOIA system and updated guidance, FOIA managers did not properly maintain 106 (35 percent) of 299 electronic case files or efficiently process 109 (36 percent) of 299 FOIA requests reviewed for 2011; provide the public electronic access to 113 (87 percent) of 130 frequently requested records; properly identify costs, or accurately support fees assessed for processing 255 (93 percent) of 275 requests; and effectively minimize FOIA request backlogs for three (75 percent) of four requester service centers.

**Result:** Maintaining complete case files electronically and efficiently processing requests are necessary to meet statutory requirements and avoid litigation costs associated with potential appeals and lawsuits. In addition, providing access to frequently requested records helps reduce the number of requests received, which saves money, time and resources. Also, properly identifying processing costs and fees enables the Air Force to report accurate program amounts. Finally, minimizing request backlogs will help resolve requester dissatisfaction with untimely responses. AFAA made six recommendations to improve the management of the Air Force FOIA program.

**Report No. F2013-0003-O20000**

## Acquisition Processes and Contract Management

#### Eastern Range Technical Services Contract Management and Oversight

**Overview:** AFAA determined whether Air Force personnel effectively performed acquisition planning, contract administration and financial management.



AFAA reviewed expenditures for commercial satellite communications.

**Findings:** Air Force officials did not accomplish and document required contract performance and metric evaluations or perform effective financial management on the current and prior eastern launch and test range contracts.

**Result:** Performance and metric evaluations provide the Air Force assurance the Eastern Range Technical Services contractor satisfactorily performed range technical support services. In addition, de-obligating and de-committing excess contract funds made \$1,231,256 available in FY 2012 and could make as much as \$4 million available in FY 2013 for other valid mission requirements. AFAA made one recommendation to improve Eastern Range Technical Services contract management.

**Report No. F2013-0008-L30000**

#### Miscellaneous Equipment Allowance Standards

**Overview:** AFAA assessed whether logistics personnel accurately used and timely reviewed miscellaneous allowance standards.

**Findings:** Logistics personnel at all levels did not effectively use or timely review miscellaneous allowances.

**Result:** Proper use and timely review of items authorized using miscellaneous allowance source codes would allow Air Force personnel to reduce overstated authorizations and redistribute excess equipment items to fill other valid equipment requirements. This would result in a potential monetary benefit of \$65,421,570. AFAA made one recommendation to improve miscellaneous equipment allowance standards management.

**Report No. F2013-0004-L40000**

#### Military Construction Requirements

**Overview:** AFAA determined whether Air Force personnel properly prioritized projects and reasonably estimated and supported programmed amounts.

**Findings:** Air Force programmers did not reasonably estimate and support programmed amounts for 15 of 26 military construction projects.

**Result:** By eliminating overstated costs, the Air Force could use more than \$6.4 million for other valid military construction projects. Further, properly supported and documented estimates allow Air Force leadership to make fully informed decisions and effectively use funds for

construction requirements. AFAA made one recommendation to improve management of MILCON requirements.

**Report No. F2013-0008-O20000**

## Financial Management

#### United States Property and Fiscal Officer Program

**Overview:** AFAA evaluated effectiveness of the United States Property and Fiscal Officer program to including accountability of Air Force funds and effectiveness of current United States Property and Fiscal Officer Program policies and procedures.

**Findings:** Air National Guard personnel did not identify and de-obligate invalid obligations or research questionable obligations in a timely manner. In addition, draft United States Property and Fiscal Officer Program policy (currently in coordination) lacked definitive guidance regarding funds distribution and delegation of financial management responsibility.

**Result:** De-obligating funds no longer required will make \$8,580,196 available for other prior year (FY 2006 to 2010) requirements. In addition, effective control procedures over funding improve accountability of federal funds entrusted to the United States Property and Fiscal Officers. AFAA made three recommendations to strengthen internal controls over Air Force funding and improve guidance.

**Report No. F2013-0001-L10000**

#### Air Force Global Logistics Support Center Unliquidated Obligations

**Overview:** AFAA determined whether Air Force Global Logistics Support Center recorded unliquidated obligations were needed, supported and correctly reported.

**Findings:** Auditors identified 841 (72 percent) of 1,175 unliquidated obligations were no longer needed, not supported or incorrectly reported.

**Result:** De-obligating unneeded unliquidated obligations balances would achieve \$44.1 million for other mission requirements. Projecting these results, based on a 95 percent confidence estimate, could provide a potential monetary benefit of at least \$104,893,009. AFAA made



AFAA reviewed military construction requirements.

three recommendations to improve unliquidated obligations validation efforts.

**Report No. F2013-0015-O10000**

#### Unemployment Compensation Program

**Overview:** AFAA evaluated whether Air Force Personnel Center administrators accurately determined unemployment eligibility and reimbursed states for former employees' unemployment compensation.

**Findings:** Air Force Personnel Center administrators inaccurately determined unemployment eligibility for 9 percent of 1,079 military and civilian claimants paid \$352,656 during the review period. In addition, they reimbursed states for unemployment compensation on 3 percent of former military and civilian employees reviewed. Misstatements totaled almost \$57,000: \$43,300 in overpayments and \$13,300 in underpayments.

**Result:** Establishing a more effective quality control program would allow the Air Force to avoid at least \$20,749,336 million in erroneous unemployment compensation payments over six years (execution year and the Future Years Defense Program). In addition, unemployment payment controls are necessary to validate accurate compensation for employees and helps ensure proper stewardship of public funds. AFAA made three recommendations to improve the unemployment compensation program.

**Report No. F2013-0001-O40000**

## Health Care

#### Medical Aspects of Contractor Deployments

**Overview:** AFAA determined whether Air Force Medical Service officials provided only emergency medical support to contract employees and whether U.S. contract employees completed required medical/dental assessments prior to deployment.

**Findings:** Medical officials provided nonemergency medical support to 2,895 (48 percent) of 6,070 deployed U.S. contract employees. In addition, 98 percent of U.S. contract employees deployed without completing medical/dental assessments.

**Result:** Limiting routine medical support to services authorized per employees' contracts can produce cost avoidance for the Air Force

of \$253,781 annually, or \$1,522,688 over six years (execution year and Future Years Defense Program). Completing medical/dental assessments prior to deployments helps ensure contract employees will not require additional resources or negatively affect the mission. AFAA made two recommendations to improve controls over medical aspects of contractor deployments.

**Report No. F2013-0002-O40000**

#### Contract Medical Service Personnel

**Overview:** AFAA evaluated whether medical personnel accurately determined contract medical service personnel requirements and effectively managed contractor to civilian conversions.

**Findings:** Although medical personnel at three locations maintained 17 contract medical service positions in excess of approved mission requirements, the condition was not systemic and was addressed in installation-level reports. However, medical personnel did not convert 291 of 1,771 contractor positions even though these positions were eligible for conversion and could yield cost savings.

**Result:** Converting 291 medical service contractor positions at the locations reviewed would allow the Air Force Medical Service to put to better use approximately \$70 million over the next five years, which is the standard time frame the Air Force Manpower Agency uses when measuring contractor to civilian cost effectiveness. Statistically projecting the results Air Force-wide, the Air Force Medical Service could convert an estimated 767 eligible contractor positions, achieving a potential monetary benefit of approximately \$170,018,062 over the next five years. AFAA made one recommendation to improve medical service contractor management.

**Report No. F2013-0005-O40000**

#### Follow-up Audit, Mental Health Provider Productivity

**Overview:** AFAA evaluated the effectiveness of management corrective actions in response to recommendations A.1 and A.2, report F2010-0004-FD2000, titled, "Mental Health Provider Productivity," dated March 9, 2010. Specifically, AFAA determined whether opportunities existed for Air Force mental health providers to increase the number of patients treated. Additionally, AFAA determined whether the

"... medical personnel did not convert 291 of 1,771 contractor positions even though these positions were eligible for conversion and could yield cost savings."

“... 58 percent of providers did not meet productivity standards established by the Air Force surgeon general.”

Air Force achieved the \$14.4 million in potential monetary benefits identified in the prior audit.

**Findings:** Although Air Force officials took action in response to the prior audit, 58 percent of providers did not meet productivity standards established by the Air Force surgeon general.

**Result:** As a result, the Air Force did not fully achieve the \$14.4 million in potential monetary benefits identified in the prior audit. Increasing mental health provider productivity at the 10 locations reviewed would allow medical facilities to provide more in-house care and avoid purchasing private-sector medical care costing approximately \$6,514,437 over the next six years (execution year and Future Years Defense Program). AFAA made three recommendations to more effectively use unfilled appointments, increase patient capacity and use within the mental health clinic, and improve provider productivity.

**Report No. F2013-0006-O40000**

## Nuclear Enterprise

### Follow-up Audit, Nuclear Weapons Related Materiel Inventory

**Overview:** AFAA determined if Air Force logistics management implemented effective procedures in response to report F2011-0002-FC4000, titled, “Nuclear Weapons Related Materiel Inventories,” dated Nov. 3, 2010. In addition, audit determined if personnel accurately recorded and properly identified all nuclear weapons related materiel assets in Air Force records.

**Findings:** Logistics personnel effectively negotiated a memorandum of agreement with the Department of Energy to include roles and responsibilities for nuclear weapons related materiel inventories. However, logistics personnel did not accurately record all NWRM assets on accountability records or properly identify all items as NWRM assets at contractor locations.

**Result:** As a result of inaccurate recording, 40 NWRM assets were not properly accounted for in Air Force records. Accurate NWRM inventories help ensure the integrity and safety of the nuclear mission aiding national security. In addition, complete accountability of NWRM assets at contractor facilities is important for ensuring the security of assets outside the physical control of the Air Force. AFAA made three recommen-

dations to improve management of the NWRM inventory process.

**Report No. F2013-0001-L40000**

## Air Force Office of Special Investigations

### Significant Investigative Cases

#### Desertion and Armed Robbery

**Overview:** On Dec. 21, 2012, members of AFOSI at Joint Base Lewis-McChord, Wash., apprehended an Air Force staff sergeant, Thomas Schwartz, who had deserted the Air Force in June 1972. Prior to deserting, Schwartz had received orders to Thailand and had incurred a debt of \$3,000 to his fiancé. Schwartz moved to Calgary, Canada, in July or August of 1972 and legally changed his name to become a resident alien and start a business. Schwartz attributed his return to the United States as an attempt to escape debt he had incurred while beginning his business and to deal with the charges related to his desertion. After AFOSI coordinated with the Vancouver Police Department Violent Crimes Division and the Royal Canadian Mounted Police, it was determined that Schwartz was being sought by local law enforcement in connection with eight armed robberies totaling \$20,000. Canadian Law Enforcement secured a provincial warrant and Schwartz was subsequently returned to Canada to face trial and incarceration.

**Result:** On Jan. 31, 2013, Schwartz waived his right to an administrative discharge board and was subsequently separated from military service for misconduct with an other than honorable conditions service characterization. Prosecution for armed robbery will be pursued by the Royal Canadian Mounted Police.

#### False, Fictitious and Fraudulent Claims against the Air Force

**Overview:** This investigation was initiated from a U.S. Transportation Command allegation of a violation of the False Claims Act. On Oct. 1, 2007, Hummingbird Aviation LLC entered into a contract with USTRANSCOM to provide helicopter service in Afghanistan. USTRANSCOM noted that the services had not been provided as



AFAA determined whether the AF accurately accounted for NWRM.

of Feb. 14, 2008. Hummingbird Aviation LLC submitted a cost proposal for termination for convenience to USTRANSCOM, which complied with the request and terminated the contract for convenience April 8, 2008. Hummingbird Aviation LLC requested USTRANSCOM pay them more than \$1.9 million to allow the small business to continue operating. Hummingbird Aviation LLC failed to provide receipts to USTRANSCOM for costs to lease a helicopter totaling \$300,000 for the period of Oct. 1 to Dec. 1, 2007. On Sept. 29, 2007, USTRANSCOM became aware of a lawsuit from Helimed Limited against Hummingbird Aviation LLC. In the lawsuit, Helimed Limited claimed Hummingbird Aviation LLC did not pay for their lease with Helimed Limited for their helicopter services. On Dec. 11, 2007, U.S. Transportation Command discovered Hummingbird Aviation LLC sent an email to Executive Helicopters, Galway, Ireland, requesting they back date their lease with Hummingbird Aviation LLC from Nov. 29, 2007 to Aug. 31, 2007. AFOSI confirmed the lease had been backdated to Aug. 31, 2007. By backdating the lease, USTRANSCOM paid for two full months of rent from October through November 2007 totaling \$300,000.

**Result:** On Oct. 20, 2010, a grand jury returned one indictment on Hummingbird Aviation LLC for false claims against the government. On Jan. 23, 2012, after several continuances, Hummingbird Aviation LLC was convicted of submitting false and fraudulent claims in the U.S. District Court of Southern District of Illinois. Hummingbird Aviation LLC was ordered to pay \$300,000 in restitution and an additional \$4,100 in fines, placed on probation for five years and debarred from U.S. government contracting for six years.

#### Aggravated Sexual Abuse of a Child

**Overview:** This investigation was initiated after an allegation was received that Senior Airman Brayan Rosales-Lopez sexually abused a 12-year-old male at an on-base residence at Vandenberg Air Force Base, Calif., on or about Dec. 24, 2011. Rosales-Lopez put his hands down the child's pants and sexually assaulted him while they were wrestling. The child pushed Rosales-Lopez away. Rosales-Lopez instructed the child not to say anything or he would lose his job with the Air Force. AFOSI conducted an interview of

Rosales-Lopez during which he provided a partial confession before invoking his rights and asking for an attorney.

**Result:** On Nov. 27, 2012, Rosales-Lopez was convicted by a general court-martial and received a reprimand, reduction to E-1, confinement for eight months and a bad conduct discharge. Additionally, Rosales-Lopez was required to register as a sex offender.

#### Narcotics and Counterfeit Checks

**Overview:** This investigation was initiated after AFOSI at Vandenberg Air Force Base, Calif., received notification from Lompoc Police Department, Calif., of Senior Airman John Cheatham who had attempted to cash a forged check. Lompoc Police Department arrested Cheatham after a search of his vehicle where they discovered 0.2 grams of methamphetamines. Additionally, Cheatham's presumptive urine test registered positive for marijuana. AFOSI conducted an interview with Cheatham resulting in a confession of intending to distribute methamphetamine, smoking marijuana at least five times since August 2011 while stationed at Vandenberg Air Force Base and lying to Lompoc Police Department of his attempt to cash a forged check in the amount of \$300.

**Results:** On Jan. 23, 2013, Cheatham was convicted by a general court-martial of use and possession of marijuana and possession with intent to distribute methamphetamine, reduced to E-1, ordered to surrender total forfeiture of all pay and allowances, sentenced to 12 months of confinement and received a bad conduct discharge.

#### Sexual Assault of Multiple Active Duty Members

**Overview:** This investigation was initiated after AFOSI at Barksdale Air Force Base, La., received notification from Bossier City Louisiana Police Department of a sexual assault of a female airman first class committed by a male airman first class, James Lewis. After assuming jurisdiction of the investigation, AFOSI discovered Lewis had been investigated for a sexual assault in 2011 of another female airman first class. Additionally, Lewis had two other open sexual assault cases that were reported the previous week, bringing the total number of sexual assault allegations against Lewis to four. All were investigated by AFOSI. Despite the number of allegations, local

“Lompoc Police Department arrested Cheatham after a search of his vehicle where they discovered 0.2 grams of methamphetamines.”

“... FMC Technologies intentionally substituted components on Diesel Air Conditioner-110 units without the approval of the Air Force.”

police advised they would not charge Lewis due to lack of evidence. AFOSI assigned a sexual assault investigator who compiled all of the police reports, transferred recovered physical evidence to AFOSI and reviewed the 2011 investigation. During an interview of Lewis, AFOSI obtained a confession for all four of the alleged sexual assaults.

**Result:** On Dec. 13, 2012, Lewis was convicted by a general court-martial of sexual assault and sentenced to nine years of incarceration, reduction to the grade of E-1, forfeiture of all pay and allowances and a dishonorable discharge.

#### Negligent Homicide of an Air Force Member

**Overview:** This investigation was initiated April 22, 2012, after an airman first class was killed in a vehicle accident. Airman 1st Class Jose Aguilar, stationed at Incirlik Air Base, Turkey, was driving a high mobility multipurpose wheeled vehicle and purposefully drove onto an unpaved road against orders. After driving approximately 134 feet, Aguilar made a hard right turn and the vehicle rolled over, pinning the passenger under the vehicle's turret wall. First responders attempted life-saving efforts, but the passenger was unresponsive and died. During AFOSI's investigation, they discovered Aguilar had a documented history of reckless driving. A search by AFOSI of Aguilar's residence disclosed a bloodied video camera. Pursuant to a search authorization, the camera was searched and a video of the accident taken from the perspective of the deceased airman was recovered. The final frames of the video showed Aguilar utter an expletive as he picked up the camera and turned it off. An analysis of the blood found on the camera was performed by the U.S. Army Criminal Investigation Laboratory. The analysis showed the DNA of the blood taken from the camera was Aguilar's.

**Result:** On Nov. 28, 2012, Aguilar was convicted at a general court-martial of dereliction of duty, reckless driving and conduct prejudicial of good order and discipline. Under a pretrial agreement, Aguilar agreed to a reduction to the grade of E-1, forfeiture of all pay and allowance, ordered to three years and nine months of confinement and a bad conduct discharge.

#### Product Substitution against the Air Force

**Overview:** This investigation was initiated Feb. 22, 2010, based upon information from a contracting officer at Robins Air Force Base, Ga., that FMC Technologies intentionally substituted components on Diesel Air Conditioner-110 units without the approval of the Air Force. Under the contract, FMC Technologies was obligated to manufacture Diesel Air Conditioner-110 air conditioners used to cool aircraft avionics during the course of ground maintenance. The contract was in the process of termination by default due to FMC Technologies' inability to manufacture units that met contract specifications. The substitutions were violations of the contract and resulted in a severe reduction in unit functionality and mission capability. Additionally, FMC Technologies contracted to manufacture the trailer-mounted air conditioner which resulted in the same issues as the Diesel Air Conditioner-110. The principle engineer for the trailer-mounted air conditioner examined components and determined five components were substituted or removed, all of which resulted in a loss of unit configuration control. The product substitutions were violations of contract specifications. FMC Technologies counterargued and alleged that because the diesel air conditioners were purchased as commercial items, FMC Technologies was permitted to substitute parts as it wished. According to the contract, any changes to the units must be routed through and approved by the Air Force before any modifications are authorized. FMC Technologies did not notify the Air Force of any changes to the procured units during the acquisition process.

**Result:** On Sept. 11, 2012, the Department of Justice obtained a settlement agreement between the government and FMC Technologies who agreed to pay \$14,431,500 to the government for the trailer-mounted air conditioner units and \$4,827,000 for the Diesel Air Conditioner-110 units. The agreement required FMC Technologies to upgrade the accepted trailer-mounted air conditioner units at no additional cost to the government. FMC Technologies was required to provide an extended warranty covering trailer-mounted air conditioner units manufacturing defects specific to cooling, which would be effective one month after receiving the upgraded parts. The amount recovered was \$19,258,500.

# Appendices



## Audit, Inspection, and Evaluation Reports Issued

Copies of reports may be obtained from the appropriate issuing office by contacting:

DoD IG  
(703) 604-8937  
[www.dodig.mil/PUBS](http://www.dodig.mil/PUBS)

Army Audit Agency  
(703) 693-5679  
[www.hqda.army.mil/aaaweb](http://www.hqda.army.mil/aaaweb)

Naval Audit Service  
(202) 433-5757

Air Force Audit Agency  
(703) 696-7904  
[www.affaa.af.mil](http://www.affaa.af.mil)

	DoD IG	Military Depts.	Total
Acquisition Processes and Contract Management	19	30	49
Financial Management	25	49	74
Joint Warfighting and Readiness	6	35	41
Information Assurance, Security and Privacy	4	16	20
Health Care	1	6	7
Equipping and Training Iraqi and Afghan Security Forces	4	0	4
Investigative Oversight	2	0	2
Nuclear Enterprise	0	2	2
Other	3	8	11
<b>Total</b>	<b>64</b>	<b>146</b>	<b>210</b>

### Acquisition Processes and Contract Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-030R	Contractor Compliance Varied With Classification of Lobbying Costs and Reporting of Lobbying Activities (FOUO)	01/18/2013
DoD IG	DODIG-2013-002	Improvement Needed With DoD Single-Bid Program to Increase Effective Competition for Contracts	10/04/2012
DoD IG	DODIG-2013-003	Army Contracting Command – Aberdeen Proving Ground Contracting Center’s Management of Noncompetitive Awards Was Generally Justified	10/19/2012
DoD IG	DODIG-2013-006	Defense Logistics Agency Could Improve Its Oversight of the Maintenance, Repair, and Operations Prime Vendor Contract for Korea (FOUO)	10/19/2012
DoD IG	DODIG-2013-007	Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement	10/26/2012
DoD IG	DODIG-2013-015	Actions to Align Defense Contract Management Agency and Defense Contract Audit Agency Functions	11/13/2012
DoD IG	DODIG-2013-024	U.S. Army Corps of Engineers Needs to Improve Contract Oversight of Military Construction Projects at Bagram Airfield, Afghanistan	11/26/2012

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-025	Accountability Was Missing for Government Property Procured on the Army's Services Contract for Logistics Support of Stryker Vehicles	11/30/2012
DoD IG	DODIG-2013-028	Contracting Improvements Still Needed in DoD's FY 2011 Purchases Made Through the Department of Veterans Affairs	12/07/2012
DoD IG	DODIG-2013-031	Audit of the F-35 Lightning II Autonomic Logistics Information System (Classified)	12/10/2012
DoD IG	DODIG-2013-034	Better Processes Needed to Appropriately Justify and Document NAVSUP WSS, Philadelphia Site Sole-Source Awards	12/21/2012
DoD IG	DODIG-2013-037	Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement	01/15/2013
DoD IG	DODIG-2013-044	Monitoring of the Quality of the Defense Contract Audit Agency FY 2010 Audits	03/07/2013
DoD IG	DODIG-2013-046	DoD Does Not Have Visibility Over the Use of Funds Provided to the Department of Energy	02/15/2013
DoD IG	DODIG-2013-048	Quality Control Review of the PricewaterhouseCoopers, LLP and the Defense Contract Audit Agency FY 2010 Single Audit of the Institute for Defense Analyses	02/20/2013
DoD IG	DODIG-2013-049	Improvements Needed in Managing Maintenance Contracts in Korea for Air Force Aircraft (FOUO)	02/22/2013
DoD IG	DODIG-2013-050	Recovering Organizational Clothing and Individual Equipment From Civilians and Contractor Employees Remains a Challenge	02/22/2013
DoD IG	DODIG-2013-052	Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces	03/08/2013
DoD IG	DODIG-2013-059	Air Force Needs Better Processes to Appropriately Justify and Manage Cost-Reimbursable Contracts	03/21/2013
USAAA	A-2013-0009-ALC	Arlington National Cemetery Millennium Project, U.S. Army Corps of Engineers Norfolk District	11/07/2012
USAAA	A-2013-0013-ALE	Wide Area Workflow in Europe, 409th Contracting Support Brigade, Expeditionary Contracting Command, Europe	11/29/2012
USAAA	A-2013-0015-MTE	Audit of Contract Management-Atmospherics Program-Afghanistan	11/28/2012
USAAA	A-2013-0016-MTE	Audit of Area Support Group-Kuwait S6 Information Technology Contracts (FOUO)	12/07/2012
USAAA	A-2013-0020-ALA	Time Sensitive Issue—Audit of Aviation Requirements-Small Unmanned Aircraft Systems (FOUO)	12/07/2012
USAAA	A-2013-0034-ALA	Audit of Mission Command and Communications Capabilities	01/10/2013
USAAA	A-2013-0035-ALC	Arlington National Cemetery Columbarium Court 9 Design Management	01/22/2013
USAAA	A-2013-0038-FMF	Yuma Proving Ground Financial Transaction Analysis, Award Fee Procedures (FOUO)	01/18/2013
USAAA	A-2013-0047-ALC	Accession of Military Personnel into Contracting	01/31/2013
USAAA	A-2013-0051-MTE	Audit of Contract Administration of the National Afghan Trucking Contract (FOUO)	02/07/2013
USAAA	A-2013-0054-MTE	Performance Metrics—National Afghan Trucking Contract, Bagram Airfield, Afghanistan (FOUO)	02/13/2013
USAAA	A-2013-0076-IEF	Agreed-Upon Procedure Attestation, Contracts at U.S. Army Corps of Engineers - Sacramento District and Sierra Army Depot (FOUO)	03/25/2013
NAVAUDSVC	N2013-0003	Naval Sea Systems Command, Logistics, Maintenance, and Industrial Operations Contract N00024-01-D-7025, DO 0001	11/15/2012
NAVAUDSVC	N2013-0006	Department of the Navy Communications Security Account Reconciliation Under Common Tier 1 Accounting System	12/27/2012
NAVAUDSVC	N2013-0007	Joint Mission Planning System	01/11/2013
NAVAUDSVC	N2013-0012	Internal Controls Over Selected Contracts and Blanket Purchase Agreements at Navy Region Mid-Atlantic, Fleet and Family Readiness	01/16/2013
AFAA	F-2013-0002-L10000	Arnold Engineering Development Center Operations, Maintenance, Information Management, and Support Contract Management	10/23/2012
AFAA	F-2013-0001-L30000	Contract Closeout Management	11/26/2012
AFAA	F-2013-0003-L30000	Firm-Fixed-Price Contracts	01/25/2013
AFAA	F-2013-0004-L30000	Small Diameter Bomb II	01/25/2013
AFAA	F-2013-0005-L30000	Services Category II and III Acquisitions	02/08/2013
AFAA	F-2013-0006-L30000	C-17 Global Reach Improvement Program Management	02/22/2013
AFAA	F-2013-0007-L30000	Acquisition Management of Fifth-Generation Fighter Aircraft Simulators	02/26/2013
AFAA	F-2013-0008-L30000	Eastern Range Technical Services Contract Management and Oversight	03/08/2013

# Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2013-0004-L40000	Miscellaneous Equipment Allowance Standards	02/19/2013
AFAA	F-2013-0005-L40000	Heritage Program	02/21/2013
AFAA	F-2013-0004-O20000	Independent Agreed-Upon Procedures Report, Plug-In Electric Vehicles Business Case Analysis	10/22/2012
AFAA	F-2013-0006-O20000	Construction and Demolition Debris Diversion	02/07/2013
AFAA	F-2013-0007-O20000	Sustainment, Restoration and Modernization Project Management	02/11/2013
AFAA	F-2013-0008-O20000	Military Construction Requirements	02/20/2013

## Financial Management

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-004	Audit of Hotline Allegations Involving Defense Intelligence Mission Area (FOUO)	10/17/2012
DoD IG	DODIG-2013-008	Independent Auditor's Report on the DoD Military Retirement Fund, FY 2012 and FY 2011 Basic Financial Statements	11/06/2012
DoD IG	DODIG-2013-009	Independent Auditor's Report on the Air Force General Fund FY 2012 and FY 2011 Financial Statements	11/08/2012
DoD IG	DODIG-2013-010	Independent Auditor's Report on the Air Force Working Capital Fund FY 2012 and FY 2011 Financial Statements	11/08/2012
DoD IG	DODIG-2013-011	Independent Auditor's Report on the Army Working Capital Fund FY 2012 and FY 2011 Annual Financial Statements	11/08/2012
DoD IG	DODIG-2013-012	Independent Auditor's Report on the Department of the Navy General Fund FY 2012 and FY 2011 Financial Statements	11/09/2012
DoD IG	DODIG-2013-013	Independent Auditor's Report on the Army General Fund FY 2012 and FY 2011 Financial Statements	11/08/2012
DoD IG	DODIG-2013-014	Independent Auditor's Report on the Department of the Navy Working Capital Fund FY 2012 and FY 2011 Financial Statements	11/09/2012
DoD IG	DODIG-2013-016	Independent Auditor's Report on the DoD Medicare-Eligible Retiree Health Care Fund FY 2012 Basic Financial Statements	11/07/2012
DODIG	DODIG-2013-017	Independent Auditor's Report on the DoD Contract Resource Management FY 2012 Basic Financial Statements	11/07/2012
DoD IG	DODIG-2013-018	Deliveries and Payments for the Defense Advanced GPS Receivers Met Contract Terms, But Property Accountability Needed Improvements	11/08/2012
DoD IG	DODIG-2013-020	Independent Auditor's Report of FY 2011 Department of State Funds Transferred to DoD for Human Immunodeficiency Virus /Acquired Immune Deficiency Syndrome Prevention	11/09/2012
DoD IG	DODIG-2013-021	Independent Auditor's Report on the Department of Defense FY 2012 and FY 2011 Financial Statements	11/15/2012
DoD IG	DODIG-2013-022	Independent Auditor's Report on the Department of Defense FY 2012 and 2011 Special Purpose Financial Statements	11/15/2012
DoD IG	DODIG-2013-023	Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works, FY 2012 and FY 2011 Basic Financial Statements	11/15/2012
DODIG	DODIG-2013-027	DoD Generally Effective at Correcting Causes of Antideficiency Act Violations in Military Personnel Accounts, But Vulnerabilities Remain	11/30/2012
DoD IG	DODIG-2013-038	Independent Auditor's Report on the Examination of the Existence, Completeness, and Rights of the Department of the Air Force's Uninstalled Missile Motors and Spare Engines	01/14/2013
DoD IG	DODIG-2013-042	Independent Auditor's Report on the DoD FY 2012 Detailed Accounting Report of the Funds Obligated for National Drug Control Program Activities	01/31/2013
DoD IG	DODIG-2013-045	Army Business Systems Information Technology Strategy Needs Improvement	02/07/2013
DODIG	DODIG-2013-047	Quality Control Review of the Defense Finance and Accounting Service Audit Organization	02/28/2013
DoD IG	DODIG-2013-051	Improvements to Controls Over Cash Are Needed at the Army Disbursing Office at Soto Cano Air Base, Honduras	03/04/2013
DoD IG	DODIG-2013-054	DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2012	03/13/2013

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-056	Defense Hotline Allegations Concerning Contractor-Invoiced Travel for U.S. Army Corps of Engineers' Contracts W912DY-10-D-0014 and W912DY-10-D0024	03/15/2013
DoD IG	DODIG-2013-057	Enterprise Business System Was Not Configured to Implement the U.S. Government Standard General Ledger at the Transaction Level	03/20/2013
DoD IG	DODIG-2013-061	Improvements Needed to the Purchase Card On-Line System	03/27/2013
USAAA	A-2013-0001-IEF	Audit of Recruiting Assistance Programs—Active Component (FOUO)	10/03/2012
USAAA	A-2013-0006-IEE	Audit of Army Workers' Compensation Program: U.S. Army National Guard	11/05/2012
USAAA	A-2013-0007-FMF	Independent Auditor's Report for FY 12 American Red Cross Financial Statements	11/05/2012
USAAA	A-2013-0011-IEI	Audit of Army Emergency Relief Operations—U.S. Army Fort Benning (FOUO)	11/05/2012
USAAA	A-2013-0014-FMR	Update on Attestation Examination, Global Combat Support System-Army Release 1.1 Federal Financial Management Improvement Act of 1996 Requirements—Compliance Validation (FOUO)	11/16/2012
USAAA	A-2013-0017-FMR	General Fund Enterprise Business System—Vendor Pay	11/19/2012
USAAA	A-2013-0021-FMF	Yuma Proving Ground Financial Transaction Analysis (FOUO)	12/07/2012
USAAA	A-2013-0024-IEI	Residential Communities Initiative—Controls Over Purchase Order Expenditures, Fort Rucker and Fort Drum	12/17/2012
USAAA	A-2013-0026-IEE	Audit of Army Workers' Compensation Program—Death Benefit Cases	12/31/2012
USAAA	A-2013-0027-FMR	The Army Managers' Internal Control Program for FY 12, Office of the Deputy Chief of Staff, G-1	12/21/2012
USAAA	A-2013-0029-MTT	Audit of Operating Tempo Funds Use	01/09/2013
USAAA	A-2013-0030-FMF	Audit of Reimbursable Operations of the Program Manager—Defense Communications and Transmission Systems	01/07/2013
USAAA	A-2013-0033-IEE	Actions Taken by the U.S. Army Corps of Engineers at Lake Cumberland, Kentucky	01/24/2013
USAAA	A-2013-0036-IEF	Miscellaneous Adjustments to Military Pay, Army National Guard	01/29/2013
USAAA	A-2013-0039-FMR	Audit of General Fund Enterprise Business System—Vendor Pay Processing Issues	01/22/2013
USAAA	A-2013-0040-IEO	Support to Operation Homefront	01/28/2013
USAAA	A-2013-0042-ALC	Defense Acquisition Workforce Development Fund Tax Payment	01/31/2013
USAAA	A-2013-0049-ALA	Examination of Army Suggestion Program Number NEPA08021M, Picatinny Arsenal, New Jersey	02/04/2013
USAAA	A-2013-0059-IEM	U.S. Army Fisher House Program Management, U.S. Army Medical Command	03/08/2013
USAAA	A-2013-0060-FMF	National Science Center's Special Fund Financial Statement, Fort Belvoir, Virginia (FOUO)	03/01/2013
USAAA	A-2013-0062-FMF	Issues for Management Consideration, Audit of National Science Center's Special Fund Financial Statement (FOUO)	03/05/2013
USAAA	A-2013-0064-IEF	Audit of Referral Bonus Programs (FOUO)	03/28/2013
USAAA	A-2013-0070-IEM	Attestation Examination of Army Suggestion Number SWSM09003C	03/18/2013
USAAA	A-2013-0078-IEO	Nonappropriated Fund Instrumentalities Risk Assessment (FOUO)	03/29/2013
USAAA	A-2013-0079-FMR	Audit of Metrics and Milestones of Army Audit Readiness	03/29/2013
NAVAUDSVC	N2013-0002	Independent Attestation - Agreed-Upon Procedures Attestation Engagement of Assessing Internal Controls over Financial Reporting in the Department of the Navy, Phase 3	11/07/2012
NAVAUDSVC	N2013-0010	Information Technology and Audio-Visual Asset Accountability at Selected Hospitals within Navy Medicine West	01/15/2013
NAVAUDSVC	N2013-0014	Bureau of Medicine and Surgery Government Commercial Purchase Card Program	02/12/2013
AFAA	F-2013-0001-L10000	United States Property and Fiscal Officer Program	10/16/2012
AFAA	F-2013-0003-L10000	Debt Remission, Phase II	10/26/2012
AFAA	F-2013-0004-L10000	Civilian Pay Process - Job Order Cost Accounting System	12/14/2012
AFAA	F-2013-0001-L20000	Memorandum Report of Audit, Automated Business Services System Accounting Conformance	11/27/2012
AFAA	F-2013-0002-O10000	Memorandum Report of Audit, Air Force - Integrated Personnel and Pay System Accounting Conformance	10/22/2012
AFAA	F-2013-0003-O10000	Memorandum Report of Audit, Reliability and Maintainability Information System Application Controls	10/22/2012
AFAA	F-2013-0004-O10000	Memorandum Report of Audit, Financial Inventory Accounting and Billing System Accounting Conformance	10/22/2012

# Appendix A

Agency	Report Number	Report Title	Date
AFAA	F-2013-0006-O10000	Memorandum Report of Audit, Comprehensive Engine Management System Controls	11/20/2012
AFAA	F-2013-0007-O10000	Memorandum Report of Audit, Financial Inventory Accounting and Billing System Application Controls	11/20/2012
AFAA	F-2013-0008-O10000	Memorandum Report of Audit, Defense Enterprise Accounting and Management System Accounting Conformance	12/11/2012
AFAA	F-2013-0009-O10000	Memorandum Report of Audit, Reliability, Availability, Maintainability Support System for Electronic Combat Pods - Application Controls	01/03/2013
AFAA	F-2013-0011-O10000	Memorandum Report of Audit, Integrated Missile Database System Application Controls	01/15/2013
AFAA	F-2013-0012-O10000	Memorandum Report of Audit, Automated Civil Engineer System - Real Property Accounting Conformance	01/23/2013
AFAA	F-2013-0013-O10000	Memorandum Report of Audit, NexGen Information Technology Accounting Conformance	02/13/2013
AFAA	F-2013-0014-O10000	Memorandum Report of Audit, Cargo Movement Operation System Accounting Conformance	02/13/2013
AFAA	F-2013-0015-O10000	Air Force Global Logistics Support Center Unliquidated Obligations	03/08/2013
AFAA	F-2013-0001-O20000	Interim Report of Audit, Creech Air Force Base, Nevada, Electric Utilities Privatization Economic Analysis	10/01/2012
AFAA	F-2013-0002-O20000	Interim Report of Audit, Columbus Air Force Base, Mississippi, Electric Utilities Privatization Economic Analysis	10/01/2012
AFAA	F-2013-0005-O20000	Fiscal Year 2012 Utilities Privatization Economic Analyses	10/24/2012
AFAA	F-2013-0001-O40000	Unemployment Compensation Program	10/19/2012
AFAA	F-2013-0004-O40000	Civilian Classification Process	11/27/2012

## Health Care

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-029	TRICARE Managed Care Support Contractors Program Integrity Units Met Contract Requirements	12/05/2012
USAAA	A-2013-0010-IEM	Deployment Health Assessments	11/05/2012
USAAA	A-2013-0012-IEM	U.S. Army Medical Command Ombudsman Program	11/20/2012
USAAA	A-2013-0061-IEM	Initial Outfitting of Equipment at Military Treatment Facility Construction Projects, U.S. Army Medical Command	03/01/2013
AFAA	F-2013-0002-O40000	Medical Aspects of Contractor Deployments	11/07/2012
AFAA	F-2013-0005-O40000	Contract Medical Service Personnel	11/28/2012
AFAA	F-2013-0006-O40000	Follow-up Audit, Mental Health Provider Productivity	02/20/2013

## Information Assurance, Security and Privacy

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-035	Better Reporting and Certification Processes Can Improve Red Teams' Effectiveness (Classified)	12/21/2012
DoD IG	DODIG-2013-036	Improvements are Needed to Strengthen the Security Posture of USACE, Civil Works, Critical Infrastructure and Industrial Control Systems in the Northwestern Division (FOUO)	01/14/2013
DoD IG	DODIG-2013-055	Improvements Needed With Wireless Intrusion Detection Systems at the Defense Logistics Agency (FOUO)	03/13/2013
DoD IG	DODIG-2013-060	Improvements Needed With Tracking and Configuring Army Commercial Mobile Devices	03/26/2013
USAAA	A-2013-0003-MTP	Audit of Actions Taken to Implement Fort Hood Recommendations (FOUO)	10/17/2012
USAAA	A-2013-0004-MTP	Audit of Army Actions Taken to Implement Fort Hood Recommendations (FOUO)	11/01/2012
USAAA	A-2013-0018-FMI	Phoenix Eye (FOUO)	11/30/2012
USAAA	A-2013-0023-FMT	Audit of Army Data Center Consolidation	12/12/2012
USAAA	A-2013-0025-MTP	Army Headquarters-Level Actions to Implement Fort Hood Recommendations (FOUO)	12/18/2012
USAAA	A-2013-0057-FMT	Storage and Servicing of Army Records	03/06/2013

Agency	Report Number	Report Title	Date
USAAA	A-2013-0063-MTP	Army Protection Program at Arsenal, Depots, and Plants, U.S. Army Materiel Command (FOUO)	03/06/2013
USAAA	A-2013-0065-IEO	Attestation Review of Data on Child, Youth, and School Services Personnel Suitability (FOUO)	03/08/2013
USAAA	A-2013-0072-FMI	Foreign Language Proficiency Bonus Pilot Program	03/18/2013
NAVAUDSVC	N2013-0008	United States Marine Corps Intelligence-Related Emergency and Extraordinary Expense Funds	01/11/2013
NAVAUDSVC	N2013-0013	Business Process Reengineering Efforts for Selected Department of the Navy Business System Modernizations	01/25/2013
NAVAUDSVC	N2013-0016	Oversight of the Legacy Systems Replacement Process	02/26/2013
AFAA	F-2013-0001-O10000	Information Technology Efficiencies Initiative Commercial Satellite Communications	10/18/2012
AFAA	F-2013-0005-O10000	Enterprise Information Protection Capability	10/26/2012
AFAA	F-2013-0010-O10000	Printer and Multifunction Device Management	01/10/2013
AFAA	F-2013-0003-O20000	Follow-up Audit, Freedom of Information Act	10/19/2012

## Joint Warfighting and Readiness

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2012-034.4	Assessment of Afghan National Security Forces Metrics, Afghan National Army (ANA) March 2012-August 2012 (Classified)	02/20/2012
DoD IG	DODIG-2013-019	Defense Institution Reform Initiative Program Elements Need to Be Defined	11/09/2012
DoD IG	DODIG-2013-026	Supply Support Activities in Afghanistan Could Be Managed More Effectively to Improve Inventory Accountability (FOUO)	11/30/2012
DoD IG	DODIG-2013-030	Counterintelligence Screening Needed to Reduce Security Threat That Unscreened Local National Linguists Pose to U.S. Forces (FOUO)	12/07/2012
DoD IG	DODIG-2013-041	Assessment of the USAF Aircraft Accident Investigation Board (AIB) Report on the F-22A Mishap of November 16, 2010	02/06/2013
DoD IG	DODIG-2013-058	Assessment of U.S. Efforts to Develop the Afghan National Security Forces Command, Control, and Coordination System	03/22/2013
USAAA	A-2013-0002-IEI	Audit of Real Property Planning and Analysis System, Fort Benning	10/12/2012
USAAA	A-2013-0005-MTE	Army Prepositioned Stocks, Southwest Asia (FOUO)	11/07/2012
USAAA	A-2013-0008-ALM	Depot-Level Maintenance Workload Reporting—FY 11	10/31/2012
USAAA	A-2013-0022-MTT	Audit of Managing Resource Requirements for TRADOC Institutional Training	12/07/2012
USAAA	A-2013-0028-MTT	Training Support System Manning Models, Office of the Deputy Chief of Staff, G-3/5/7	12/20/2012
USAAA	A-2013-0031-ALM	Audit of Prepositioned Stock, Medical Materiel	01/15/2013
USAAA	A-2013-0037-MTS	Force Structure for the Adjutant General Workforce	01/15/2013
USAAA	A-2013-0041-ALE	Maintenance of Left Behind Equipment in Europe	01/24/2013
USAAA	A-2013-0045-MTS	Resource Capabilities of Financial Management Enablers	02/08/2013
USAAA	A-2013-0046-MTS	Audit of Financial Management—Force Structure	02/08/2013
USAAA	A-2013-0048-MTE	Materiel Management - Retrograde From Southwest Asia, U.S. Army Forces Command	02/01/2013
USAAA	A-2013-0050-IEO	Audit of Service Cost Execution Process, U.S. Army Garrison Fort Lee, Notification of Potential Antideficiency Act Violation (FOUO)	02/13/2013
USAAA	A-2013-0052-MTE	Foreign Excess Property Programs (FOUO)	03/04/2013
USAAA	A-2013-0053-FMP	Managing the Korean Service Corps Program, Eighth Army (FOUO)	02/14/2013
USAAA	A-2013-0055-IEI	Followup Audit of Base Realignment and Closure 2005 Construction Requirements, Armed Forces Reserve Center, Camp Bullis, Texas	02/25/2013
USAAA	A-2013-0056-MTE	Retrograde Sort Processes, Afghanistan (FOUO)	02/26/2013
USAAA	A-2013-0058-ALS	Followup of Procurement Lead Times, U.S. Army Aviation and Missile Life Cycle Management Command	02/27/2013
USAAA	A-2013-0066-FMP	Manning the Missile Defense Site—Fort Greely (FOUO)	03/11/2013
USAAA	A-2013-0067-MTE	Audit of Asset Visibility and Accountability During Retrograde (FOUO)	03/14/2013

# Appendix A

Agency	Report Number	Report Title	Date
USAAA	A-2013-0069-ALS	Excess Spare Part Turn-In—Property Accountability Recovery Team Program	03/25/2013
USAAA	A-2013-0071-ALA	Army Blast Standards—Program Executive Office Ground Combat Systems and Program Executive Office Combat Support and Combat Service Support (FOUO)	03/14/2013
USAAA	A-2013-0073-IEO	Followup Audit of the Army Traffic Safety Training Program	03/20/2013
USAAA	A-2013-0074-IEO	Audit of Overseas Contingency Operations Resource Reporting—Notification of Purpose Statute Violation	03/25/2013
USAAA	A-2013-0075-MTH	Out of Service Debt—U.S. Army Reserve Command	03/22/2013
USAAA	A-2013-0077-ALS	Followup Audit of Project Manager Assets, Bradley Fighting Vehicles	03/26/2013
NAVAUDSVC	N2013-0017	Followup on Security Manning Requirements Implementation Plan	03/12/2013
AFAA	F-2013-0002-L20000	United States Air Forces Central Area of Responsibility Base-Level Inventory Management	02/26/2013
AFAA	F-2013-0002-L30000	United States Air Forces Central Area of Responsibility Purchasing	01/23/2013
AFAA	F-2013-0002-L40000	Mine Resistant Ambush Protected Vehicles	01/29/2013
AFAA	F-2013-0003-L40000	Weapon System Equipment Allowance Standards	02/07/2013
AFAA	F-2013-0006-L40000	Depot Due-In From Maintenance Asset Management	03/15/2013
AFAA	F-2013-0001-O30000	International Aviation Partner Training	10/24/2012
AFAA	F-2013-0002-O30000	Strategic Planning and Program Objective Memorandum Development (FOUO)	12/14/2012
AFAA	F-2013-0003-O30000	Follow-up Audit, Pre-Positioned Mobility Bags	02/08/2013
AFAA	F-2013-0003-O40000	Training and Equipping Expeditionary Airmen	11/26/2012

## Equipping and Training Iraq and Afghan Security Forces

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-005	Performance Framework and Better Management of Resources Needed for the Ministry of Defense Advisors Program	10/23/2012
DoD IG	DODIG-2013-040	Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts (FOUO)	01/31/2013
DOD IG	DODIG-2013-053	Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable Afghan National Security Forces Medical Logistics at the Dawood National Military Hospital	03/13/2013
DoD IG	DODIG-2013-062	Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to Other DoD Agencies	03/28/2013

## Nuclear Enterprise

Agency	Report Number	Report Title	Date
USAAA	A-2013-0043-MTP	Audit of the Army's Nuclear Reactor and Surety Programs (FOUO)	01/29/2013
AFAA	F-2013-0001-L40000	Follow-up Audit, Nuclear Weapons Related Materiel Inventory	12/14/2012

## Investigative Oversight

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-033	Review of DoD Response to Noncompliant Crime Laboratory Analyses (Classified)	12/21/2012
DoD IG	DODIG-2013-043	Evaluation of the Military Criminal Investigative Organizations' Sexual Assault Investigation Training	02/28/2013

## Other

Agency	Report Number	Report Title	Date
DoD IG	DODIG-2013-001	Management Assessment of an Under Secretary of Defense for Intelligence Special Access Program - Phase #2, (Classified)	10/19/2012
DoD IG	DODIG-2013-032	Audit of FY 2012 Intelligence Commercial Activities (Classified)	12/10/2012
DoD IG	DODIG-2013-039	Defense Advanced Research Projects Agency's Ethics Program Met Federal Government Standards	01/24/2013
NAVAUDSVC	N2013-0001	Prioritization and Selection Process of Department of the Navy Aviation and Operational Safety Concerns	10/12/2012
NAVAUDSVC	N2013-0004	Department of the Navy's Military Construction Projects Proposed for Fiscal Year 2004	12/14/2012
NAVAUDSVC	N2013-0005	Naval Station Guantanamo Bay Human Resources Office and Local National Employee Program	12/17/2012
NAVAUDSVC	N2013-0009	Bachelor Housing Department at Naval Air Station Sigonella, Italy	01/11/2013
NAVAUDSVC	N2013-0011	Navy Reserve Use of Per Diem	01/15/2013
NAVAUDSVC	N2013-0015	Department of the Navy's Proposed Fiscal Year 2013 Military Construction Projects Specific to Romania	02/13/2013
NAVAUDSVC	N2013-0018	Recording and Tracking of Hotline Complaints in the Naval Inspector General Hotline Tracking System	03/19/2013
NAVAUDSVC	N2013-0019	Gift Acceptance at Marine Corps University	03/26/2013

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a) (6).

## Reports Containing Potential Monetary Benefits

Reports Issued	Date	Potential Monetary Benefits	
		Questioned Costs	Funds Put to Better Use
DODIG-2013-006 Defense Logistics Agency Could Improve Its Oversight of the Maintenance, Repair, and Operations Prime Vendor Contract for Korea (FOUO)	10/17/2012	\$200,224	N/A
DODIG-2013-007 Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement	10/24/2012	\$556,590	N/A
DODIG-2013-015 Actions to Align Defense Contract Management Agency and Defense Contract Audit Agency Functions	11/13/2012	N/A	\$249,100,000
DODIG-2013-025 Accountability Was Missing for Government Property Procured on the Army's Services Contract for Logistics Support of Stryker Vehicles	11/26/2012	N/A	\$1,100,000
DODIG-2013-028 Contracting Improvements Still Needed in DoD's FY 2011 Purchases Made Through the Department of Veterans Affairs	12/04/2012	N/A	\$338,577
DODIG-2012-030R Contractor Compliance Varied with Classification of Lobbying Costs and Reporting of Lobbying Activities (FOUO)	01/18/2013	\$98,305	N/A
DODIG-2013-040 Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts (FOUO)	01/23/2012	N/A	\$1,030,000,000
<b>Total</b>		<b>\$855,119</b>	<b>\$1,280,538,577</b>

► Partially fulfills the requirement of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(6) (See Appendix A).

## Followup Activities

Decision status of DoD IG issued audit, inspection, and evaluation reports and dollar value of recommendations that funds be put to better use

Status	Number	Funds Put to Better Use <sup>1</sup> (\$ in thousands)
A. For which no management decision had been made by the beginning of the reporting period.	47	\$2,639,723
B. Which were issued during the reporting period.	64	\$1,281,394
Subtotals (A+B)	111	\$3,921,117
C. For which a management decision was made during the reporting period. (i) dollar value of recommendations that were agreed to by management. - based on proposed management action - based on proposed legislative action (ii) dollar value of recommendations that were not agreed to by management.	91	\$3,921,117  \$3,921,117 <sup>2</sup>
D. For which no management decision has been made by the end of the reporting period.	20	\$0
Reports for which no management decision was made within 6 months of issue (as of March 31, 2013)	2 <sup>3</sup>	\$0

1. DoD IG issued audit reports during the period involving \$855,119 in “questioned costs.”
2. On these audit reports management has agreed to take the recommended actions, but the amount of agreed monetary benefits cannot be determined until those actions are completed.
3. DODIG-2012-057, Guidance Needed to Prevent Military Construction Projects From Exceeding the Approved Scope of Work; and DODIG-2012-098, Controls Governing the Procurement Automated Contract Evaluation System Need Improvement had no decision as of March 31, 2013, but action to achieve a decision is in process.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(8),(9), & (10).

Status of action on central internal audits period ending March 31, 2013

Status	Number	Funds Put to Better Use <sup>1</sup> (\$ in thousands)
DoD IG		
Action in Progress - Beginning of Period	128	\$0
Action Initiated - During Period	94 <sup>2</sup>	\$3,921,117
Action Completed - During Period	68	\$932,800
Action in Progress - End of Period	154	\$0 <sup>3</sup>
Military Departments		
Action in Progress - Beginning of Period	601	\$6,007,136
Action Initiated - During Period	149	\$1,741,420
Action Completed - During Period	162	\$100,271
Action in Progress - End of Period	588	\$6,982,012

1. DoD IG opened audit reports during the period involving \$855,119 in “questioned costs.”
2. Adjusted for three re-opened reports.
3. On certain reports (primarily from prior periods) with audit estimated monetary benefits of \$3.4 billion, DoD IG agreed that the resulting monetary benefits can only be estimated after completion of management action, which is ongoing.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(b) (2) & (3).

## Contract Audit Reports Issued<sup>1</sup>

Type of Audit <sup>2</sup>	Reports Issued	Dollars Examined (\$ in millions)	Questioned Costs <sup>3</sup> (\$ in millions)	Funds Put to Better Use (\$ in millions)
Incurring Costs, Ops Audits, Special Audits	1,707	\$18,473.4	\$1,772.3	\$8.3 <sup>4</sup>
Forward Pricing Proposals	595	\$34,830.8	\$0	\$3,187.7 <sup>5</sup>
Cost Accounting Standards	263	\$103.7	\$118.6	\$0
Defective Pricing	8	(Note 6)	\$4.1	\$0
<b>Totals</b>	<b>2,573</b>	<b>\$53,407.9</b>	<b>\$1,895.0</b>	<b>\$3,196.0</b>

Note 1. This schedule represents Defense Contract Audit Agency contract audit reports issued during the six months that ended March 31, 2013. This schedule includes any audits that DCAA performed on a reimbursable basis for other government agencies and the associated statistics may also be reported in other OIGs' Semiannual Reports to the Congress. Both "questioned costs" and "funds put to better use" represent potential cost savings. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication. In prior semiannual reporting periods, DCAA reported the total number of assignments completed. The total number of assignments completed during the six months that ended March 31, 2013 was 5,579. Some completed assignments do not result in a report issued because they are part of a larger audit or because the scope of the work performed does not constitute an audit or attestation engagement under generally accepted government auditing standards, so the number of audit reports issued is less than the total number of assignments completed.

Note 2. This schedule represents audits performed by DCAA summarized into four principal categories, which are defined as:

- **Incurred Costs:** Audits of direct and indirect costs charged to government contracts to determine that the costs are reasonable, allocable and allowable as prescribed by the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement and provisions of the contract. Also included under incurred cost audits are operations audits, which evaluate a contractor's operations and management practices to identify opportunities for increased efficiency and economy; and special audits, which include audits of terminations and claims.
- **Forward Pricing Proposals:** Audits of estimated future costs of proposed contract prices, proposed contract change orders, costs for re-determinable fixed-price contracts, and costs incurred but not yet covered by definitized contracts.
- **Cost Accounting Standards:** A review of a contractor's cost impact statement required due to changes to disclosed practices, failure to consistently follow a disclosed or established cost accounting practice or noncompliance with a cost accounting standards regulation.
- **Defective Pricing:** A review to determine whether contracts are based on current, complete and accurate cost or pricing data (Truth in Negotiations Act).

Note 3. Costs questioned represent costs that DCAA has questioned because they do not comply with rules, regulations, laws and/or contractual terms.

Note 4. Represents recommendations associated with operations audits where DCAA has presented to a contractor that funds could be used more effectively if management took action to implement cost reduction recommendations.

Note 5. Represents potential cost reductions that may be realized during contract negotiations.

Note 6. Defective pricing dollars examined are not reported because the original value was included in the audits associated with the original forward pricing proposals.

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 8(f)(1).

## Status of Action on Post-Award Contracts<sup>1</sup>

	Number of Reports	Costs Questioned <sup>6</sup> (\$ in millions)	Costs Sustained <sup>7</sup> (\$ in millions)
Open Reports			
Within Guidelines <sup>2</sup>	487	\$1,844.0	N/A <sup>8</sup>
Overage, greater than 6 months <sup>3</sup>	689	\$2,084.1	N/A
Overage, greater than 12 months <sup>4</sup>	541	\$1,267.9	N/A
In Litigation <sup>5</sup>	142	\$2,202.0	N/A
Total Open Reports	1,859	\$7,398.0	N/A
Closed Reports	459	\$815.2	\$508.2 (62.3 percent) <sup>9</sup>
All Reports	2,318	\$8,213.2	\$508.2 (6.2 percent)

1. This schedule represents the status of Defense Contract Audit Agency reports on incurred costs, defective pricing, equitable adjustments, accounting and related internal control systems, and noncompliance with the cost accounting standards as reported by DoD components. The status of action on significant post-award contract audits is reported in accordance with DoD Instruction 7640.02, Policy for Follow-up on Contract Audit Reports. Because of limited time between availability of the data and reporting requirements, there is minimal opportunity to verify the accuracy of the reported data.
2. These reports are within the time frames established by Office of Management and Budget Circular A-50, Audit Follow-up, and DoD Instruction 7640.02, as described in footnotes 3 and 4 below.
3. OMB Circular A-50 requires that audit reports be resolved within six months after report issuance. Generally, an audit is resolved when the contracting officer determines a course of action which is documented and approved in accordance with agency policy.
4. DoD Instruction 7640.02 states that audit reports are overage if not dispositioned within 12 months from date of issuance. Generally, disposition is achieved when the contractor implements audit recommendations, the contracting officer negotiates a settlement with the contractor or the contracting officer issues a final decision pursuant to the disputes clause.
5. Of the 142 reports in litigation, 41 are under criminal investigation.
6. Cost questioned represents the amount of audit exception, potential cost avoidance or recommended price adjustment in the audit report.
7. Cost sustained represent the questioned costs, potential cost avoidance or recommended price adjustment sustained by the contracting officer.
8. Not applicable. Cost sustained occurs when an audit report has been closed during the reporting period and, as a result, would not be applicable when reporting data on open reports.
9. Contracting officers sustained \$508.2 million (62.3 percent) of the \$815.2 million questioned as a result of significant post-award contract audits during the period. The contracting officer sustention rate of 62.3 percent represents a decrease from the sustention rate of 66 percent for the prior reporting period.

► Fulfills requirement of DoD Instruction 7640.02, Policy for Follow-up on Contract Audit Reports, Enclosure 2, Section (1)(d).

## Status of Reports with Action Pending

**Report:** D-2006-077, DoD Security Clearance Process at Requesting Activities, 4/19/2006

**Description of Action:** Update DoD Personnel Security Clearance Program policies to include information on investigative responsibilities, security clearance systems, submission processes, levels of security clearances and training requirements.

**Reason Action Not Completed:** Current DoD guidance is dated January 1987. Office of Management and Budget has delayed publication of DoD Instruction 5200.2 as a final rule three times since DoD's submission to OMB in September 2012. The most recent delay is to resolve OMB's categorization of the policy as a "significant rule" under Executive Order 12866, which requires further review, a ruling that DoD General Counsel is working to have reversed. Estimated completion date on the related DoD Manual is 2014. Air Force guidance delayed due to increased workload supporting new personnel security efforts. Estimated completion date is December 2013. Army Regulation 380-67 on hold by Army Judge Advocate General pending publication of revised DoD guidance.

**Principal Action Office:** Under Secretary of Defense for Intelligence, Army, Air Force

**Report:** D-2008-066, FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior, 3/19/2008

**Description of Action:** Publish guidance/manual to address deficiencies in interagency acquisitions on the proper use of non-DoD contracts.

**Reason Action Not Completed:** Delayed draft directive pending decision regarding future use of directives within the Department of Army; reformatted draft directive as a manual/appendix to the Army's FAR Supplement; revised guidance for issuance as a principal assistant responsible for contracting policy alert, which is in staffing.

**Principal Action Office:** Army

**Report:** D-2008-089, Planning Armor Requirements for the Family of Medium Tactical Vehicles, 5/9/2008

**Description of Action:** Update the capabilities documents for the FMTV to include armor kit requirements. Once these requirements are approved, document plans for issuance of the armor kits.

**Reason Action Not Completed:** Although action was initiated in late 2008, Army has yet to establish validated armor kit requirements for the FMTV.

**Principal Action Office:** Army

**Report:** D-2008-090, Controls Over Reconciling Army Working Capital Fund Inventory Records, 5/13/2008

**Description of Action:** The Army is updating its regulations, policies and procedures for performing the annual and end-of-day inventory reconciliations.

**Reason Action Not Completed:** The Army has coordinated the revision of policy and guidance, which is expected to be published this year. Requested systems changes to the Logistics Modernization Program have not been funded.

**Principal Action Office:** Army

**Report:** D-2009-028, Organizational Structure and Managers Internal Control Program for the Assistant Secretary of Defense for Public Affairs and American Forces Information Service, 12/10/2008

**Description of Action:** Investigate potential misuse of funds, improper contracting and statutory violations.

**Reason Action Not Completed:** The formal Antideficiency Act Violation investigations are ongoing.

**Principal Action Office:** Assistant Secretary of Defense for Public Affairs

**Report:** D-2009-030, Marine Corps Implementation of the Urgent Universal Needs Process for Mine Resistant Ambush Protected Vehicles, 12/5/2008

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Marine Corps action was on hold pending Joint Staff issuing revised guidance. Joint Staff issued revised guidance in January 2012. Marine Corps has not yet updated their guidance.

**Principal Action Office:** Marine Corps

**Report:** D-2009-051, Controls Over Time and Attendance Reporting at the National Geospatial-Intelligence Agency, 2/9/2009

**Description of Action:** Revise guidance to improve internal controls over time and attendance, especially the use of overtime and compensatory time.

**Reason Action Not Completed:** Awaiting the issuance of the final National Geospatial-Intelligence Agency instruction addressing time and attendance.

**Principal Action Office:** National Geospatial-Intelligence Agency

**Report:** D-2009-059, Air Force Management of the U.S. Government Aviation Into-Plane Reimbursement Card® Program, 3/6/2009

**Description of Action:** Develop Air Force specific guidance and procedures on the use of the Aviation Into-Plane Reimbursement Card. Develop a training program to ensure training for all personnel involved in Aviation Into-Plane Reimbursement functions.

**Reason Action Not Completed:** Coordination and approval pending from required agencies.

**Principal Action Office:** Air Force

# Appendix F

**Report:** D-2009-062, Internal Controls Over DoD Cash and Other Monetary Assets, 3/25/2009

**Description of Action:** Improve internal controls over cash and other monetary assets by establishing a special control account, developing policies and procedures, and monitoring cash usage. Develop noncash methods of payment for contingency operations.

**Reason Action Not Completed:** Corrective actions cannot be implemented until coordination with the OMB and/or the Department of the Treasury is complete. Extensive coordination needed between DoD and its components, and with Treasury and OMB.

**Principal Action Office:** USD(C), DFAS

**Report:** D-2009-064, FY 2007 DoD Purchases Made Through the National Institutes of Health, 3/24/2009

**Description of Action:** Develop mandatory training to address how the rules and regulations governing multiple-award contracts differ from those governing the General Services Administration's Federal Supply Schedules, including the award and administration of task and delivery orders.

**Reason Action Not Completed:** Updating policy and processing Federal Acquisition Regulation changes takes time. Developing training materials to be consistent with the FAR changes also takes time.

**Principal Action Office:** Under Secretary of Defense for Acquisition, Technology, and Logistics

**Report:** D-2009-072, Monitoring Power Track Payments for DoD Freight Transportation, 4/9/2009

**Description of Action:** Use data mining to monitor problematic payments for duplicate payment indicators.

**Reason Action Not Completed:** Enterprise Data Warehousing and data-mining solutions to assist with the pre-payment and post-payment processes will be analyzed and implemented through an internal-controls effort sponsored by the Deputy Assistant Secretary of Defense (Transportation Policy) and DFAS. The estimated completion date was February 2013.

**Principal Action Office:** USD(AT&L)

**Report:** D-2009-098, Status of the Defense Emergency Response Fund in Support of the Global War on Terror, 7/30/2009

**Description of Action:** Review the Fund for Global War on Terror obligations and de-obligate all unliquidated obligations, withdraw all excess funds provided to DoD components, and transfer the funds to the Treasury.

**Reason Action Not Completed:** Extensive time needed to coordinate de-obligation of unliquidated obligations, withdrawal of excess funds and transference of funds to the Treasury.

**Principal Action Office:** USD(C)

**Report:** D-2009-104, Sanitization and Disposal of Excess Information Technology Equipment, 9/21/2009

**Description of Action:** DoD CIO is updating DoD Instruction 8500.01 and DoD Instruction 8510.01.

**Reason Action Not Completed:** Extended time is required for revision of DoD guidance series.

**Principal Action Office:** DoD CIO

**Report:** D-2010-015, DoD Civil Support During the 2007 and 2008 California Wildland Fires, 11/13/2009

**Description of Action:** Update DoD and joint guidance to add clarity to the process of staffing Federal Emergency Management Agency mis-

sion assignments, on the legal employment of surveillance by DoD assets providing assistance to civil authorities and on specific events for command and control handoff guidance.

**Reason Action Not Completed:** Extensive time required to develop, coordinate and implement the guidance.

**Principal Action Office:** Joint Chiefs of Staff, USD(C)

**Report:** D-2010-024, Contracted Advisory and Assistance Services for the U.S. Army Future Combat Systems, 11/24/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to coordinate and issue guidance.

**Principal Action Office:** USD(AT&L)

**Report:** D-2010-026, Joint Civilian Orientation Conference Program, 12/9/2009

**Description of Action:** Update DoD Instruction 5410.19 to clarify how to administer and manage the Joint Civilian Orientation Conference program. Initiate a preliminary Antideficiency Act review of the use of Joint Civilian Orientation Conference fees received since the inception of the Miscellaneous Receipts Statute.

**Reason Action Not Completed:** Washington Headquarters Service is appointing an investigator to conduct a formal investigation of the reportable violation. A complete rewrite of DoD Instruction 5410.19 is underway.

**Principal Action Office:** Assistant Secretary of Defense for Public Affairs, Washington Headquarters Services

**Report:** D-2010-028, Rapid Acquisition and Fielding of Materiel Solutions by the Navy, 12/15/2009

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Navy

**Report:** D-2010-035, Defense Logistics Agency Contracts for M2 Machine Gun Spare Parts in Support of Operations in Southwest Asia, 1/11/2010

**Description of Action:** Evaluate the metrics used to manage the product quality deficiency reporting process and update the DLA Joint Product Quality Deficiency Report instruction.

**Reason Action Not Completed:** Extensive time required to develop, coordinate and implement the guidance.

**Principal Action Office:** DLA

**Report:** D-2010-036, Controls Over Navy Military Payroll Disbursed in Support of Operations in Southwest Asia at San Diego-Area Disbursing Centers, 1/22/2010

**Description of Action:** Develop an electronic storage capability for supporting documentation.

**Reason Action Not Completed:** Navy plans to commence the Training Requirements and Information Management System implementation within the U.S. was delayed until January 2013. The newest version of Training Requirements and Information Management System cannot interface with overseas activities, and there is currently no overseas implementation schedule.

**Principal Action Office:** Navy

**Report:** D-2010-043, Deferred Maintenance and Carryover on the Army Abrams Tank, 3/2/2010

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** The proposed change has been incorporated into the revised Financial Management Regulation, which is expected this summer.

**Principal Action Office:** USD(C)

**Report:** D-2010-048, DoD Methodology for the Valuation of Excess, Obsolete, and Unserviceable Inventory and Operating Materials and Supplies, 3/25/2010

**Description of Action:** Develop methodologies for estimating net realizable value of excess, obsolete, and unserviceable inventory, operating material and supplies, munitions, and missiles.

**Reason Action Not Completed:** Reorganization within the office and developing methodologies for different assets takes time to complete.

**Principal Action Office:** USD(C)

**Report:** D-2010-051, Defense Contract Management Agency Acquisition Workforce for Southwest Asia, 4/8/2010

**Description of Action:** Revise DoD Instruction 5000.66 to require military departments and defense agencies to develop guidance to identify acquisition, technology and logistics workforce requirements in accordance with other DoD instructions and the Financial Management Regulation.

**Reason Action Not Completed:** Extensive time required to revise and coordinate instructions/guidance.

**Principal Action Office:** USD(AT&L)

**Report:** D-2010-065, Validity and Security of Selected DoD Civilian Employee Accounts (U), 5/25/2010

**Description of Action:** Report is Classified

**Reason Action Not Completed:** Extensive time required to review and validate potentially invalid accounts and apply corrections.

**Principal Action Office:** DFAS

**Report:** D-2010-069, Central Issue Facility at Fort Benning and Related Army Policies, 6/21/2010

**Description of Action:** Improve the process for recovering organizational clothing and individual equipment items from civilians and contractor employees on completion of their mission.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** USD(AT&L)

**Report:** D-2010-078, Air Force Use of Time-and-Materials Contracts in Southwest Asia, 8/16/2010

**Description of Action:** Air Force Center for Engineering and the Environment will review invoices for time-and-materials task orders; will request DCAA audit assistance; and will obtain reimbursements for incorrect charges with attention to \$24.3 million for labor charges invoiced by the contractors but not authorized by the task orders.

**Reason Action Not Completed:** The Air Force Center for Engineering and the Environment has not received funds they requested from U.S. Forces- Iraq to conduct the review. Defense Contract Audit Agency work is ongoing.

**Principal Action Office:** Air Force

**Report:** D-2010-081, Army Use of Time-and-Materials Contracts in Southwest Asia, 8/27/2010

**Description of Action:** The Army Contracting Command will establish a plan for reviewing invoices for 18 contracts and will request DCAA as-

sistance. ACC-Aberdeen Proving Ground and White Sands Missile Range will review contracts and task orders. DCAA will conduct incurred-cost audits on the contractor for FY 2006 and FY 2007. ACC will pursue a refund from the contractor, if appropriate.

**Reason Action Not Completed:** Army Contracting Command and DCAA have not completed reviews of task orders and audits of incurred costs.

**Principal Action Office:** Army

**Report:** D-2010-086, Utility Tax Relief Program in Germany, 9/29/2010

**Description of Action:** Develop regulatory guidance requiring eligible civilian personnel to participate in the Utility Tax Avoidance Program in Germany and develop a standard form to prove participation or ineligibility for the program.

**Reason Action Not Completed:** Long-term corrective actions are progressing.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** D-2011-020, DoD Controls Over Information Placed on Publicly Accessible Web Sites Require Better Execution, 11/29/2010

**Description of Action:** Expand distribution of operations security and threat assessment reports on DoD publicly accessible Web sites to the DoD CIO and Office of the Under Secretary of Defense for Intelligence.

**Reason Action Not Completed:** Extensive time required to revise and coordinate the Joint Web Risk Assessment Cell Report.

**Principal Action Office:** Defense Information Systems Agency

**Report:** D-2011-028, Contract Oversight for the Broad Area Maritime Surveillance Contract Needs Improvement, 12/23/2010

**Description of Action:** Develop an agency improvement policy that will require all letters of delegation be modified to include necessary surveillance and inspection requirements.

**Reason Action Not Completed:** Extensive time required to develop and coordinate guidance.

**Principal Action Office:** DCMA

**Report:** D-2011-037, Marine Corps Response to Nonlethal Laser Dazzler Urgent Request, 2/9/2011

**Description of Action:** Perform a review of the circumstances that led to the purchase of the 28 Compact High Power Laser Dazzlers and initiate administrative action, if appropriate.

**Reason Action Not Completed:** Competing management priorities.

**Principal Action Office:** Navy

**Report:** D-2011-043, Improvements Needed on the Fleet Industrial Supply Center, Sigonella, Ship Maintenance Contracts in Southwest Asia, 2/22/2011

**Description of Action:** Develop a standard operating procedure that will stipulate the surveyor/contracting officer's representatives' responsibilities to include organization and required documentation of surveyor files.

**Reason Action Not Completed:** Extensive time required to finalize guidance.

**Principal Action Office:** Navy

# Appendix F

**Report:** D-2011-047, Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan, 3/2/2011

**Description of Action:** DLA will modify contracts to incorporate fair and reasonable prices, compute and recover overpayments, and correct a fiscal year appropriations billing error.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** DLA

**Report:** D-2011-060, Marine Corps Inventory of Small Arms Was Generally Accurate but Improvements Are Needed for Related Guidance and Training, 4/22/2011

**Description of Action:** Update Marine Corps Order 8300.1C to include additional guidance for small arms accountability.

**Reason Action Not Completed:** Extensive time required to update, review and issue guidance.

**Principal Action Office:** Navy

**Report:** D-2011-061, Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract with Boeing to Support the Corpus Christi Army Depot, 5/3/2011

**Description of Action:** Perform an annual review of a sample of high-risk, high-dollar parts to validate the individual prices before exercising follow-on orders. Issue policy memorandum reminding contracting officers to use fixed-price incentive contracts in accordance with FAR 16.403(b).

**Reason Action Not Completed:** Long-term corrective actions are still ongoing.

**Principal Action Office:** USD(AT&L), Army

**Report:** D-2011-071, U.S. Air Force Academy Could Have Significantly Improved Planning, Funding, and Initial Execution of the American Recovery and Reinvestment Act Solar Array Project, 6/16/2011

**Description of Action:** Determine accountability for the categorization of Recovery Act solar array project costs as a utility company connection charge.

**Reason Action Not Completed:** An Air Force Antideficiency Act investigation delayed referral of the case to the OUSD(C) for a decision on whether or not a reportable Antideficiency Act violation occurred.

**Principal Action Office:** Air Force

**Report:** D-2011-077, Improved Management Can Reduce Costs of the Maintenance, Repair, and Operations Prime Vendor Contract for the Republic of Korea, 6/24/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Several amendments to the contract were required and additional processing time was needed.

**Principal Action Office:** DLA

**Report:** D-2011-080, DoD and DoS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program, 7/7/2011

**Description of Action:** DCAA will conduct audit work to verify that DynCorp did not double-bill claimed costs under DoD and Department of State contracts from Dec. 30, 2010, through July 15, 2011.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** DCAA

**Report:** D-2011-083, Additional Actions Can Further Improve the DoD Suspension and Debarment Process, 7/14/2011

**Description of Action:** Develop a training program to inform contracting personnel of the suspension and debarment program and the process for referring poorly performing contractors.

**Reason Action Not Completed:** Long-term corrective actions are in process.

**Principal Action Office:** USD(AT&L)

**Report:** D-2011-089, Reducing Vulnerabilities at the Defense Information Systems Agency Defense Enterprise Computing Centers, 7/22/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to coordinate and implement corrective actions.

**Principal Action Office:** Defense Information Systems Agency

**Report:** D-2011-090, Cost War Data for Marine Corps Contingency Operations Were Not Reliable, 7/22/2011

**Description of Action:** Update Marine Corps Order 7300.21A, Marine Corps Financial Management Standard Operating Procedure Manual, Oct. 2, 2008.

**Reason Action Not Completed:** Extensive time required to update, review, and issue guidance.

**Principal Action Office:** Navy

**Report:** D-2011-096, Improvements Are Needed to the DoD Information Assurance Vulnerability Management Program, 8/12/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time required to coordinate and issue final policy guidance.

**Principal Action Office:** DoD CIO, Joint Chiefs of Staff, U.S. Strategic Command

**Report:** D-2011-099, Additional Actions Needed to Mitigate Risks of Unsuitable life Insurance Sales to Junior Enlisted service Members, 8/23/2011

**Description of Action:** Military services to update financial training in an effort to increase junior enlisted service members' awareness regarding the need for, and value of, filing complaints for deceptive or abusive life insurance marketing practices and unsuitable insurance products.

**Reason Action Not Completed:** The services are strengthening training to highlight filing complaints for deceptive or abusive life insurance marketing practices.

**Principal Action Office:** Under Secretary of Defense for Personnel and Readiness

**Report:** D-2011-101, Controls Over Army Deployable Disbursing System Payments Need Improvement, 8/19/2011

**Description of Action:** Publish guidance on how to properly document and control changes to DoD databases.

**Reason Action Not Completed:** Additional time required to coordinate and issue guidance.

**Principal Action Office:** USD(C)

**Report:** D-2011-104, Pricing and Escalation Issues Weaken the Effectiveness of the Army Contract With Sikorsky to Support the Corpus Christi Army Depot, 9/8/2011

**Description of Action:** Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics will issue guidance emphasizing cost analysis. DCMA will identify the Sikorsky purchasing system as high risk and perform a review to determine improvements that can be made. Army will improve contracting procedures for pricing and pro-

curement, and obtain refunds from Sikorsky for pricing and excessive escalation.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** USD(AT&L), DCMA, Army

**Report:** D-2011-106, The Department of the Navy Spent Recovery Act Funds on Photovoltaic Projects That Were Not Cost-Effective, 9/22/2011

**Description of Action:** Develop comprehensive policy for planning, prioritizing, selecting, and executing cost-effective shore energy projects in accordance with DoD and federal requirements.

**Reason Action Not Completed:** The Navy and the Marine Corps are developing planning and implementation guidance.

**Principal Action Office:** Navy, Marine Corps

**Report:** D-2011-107, Improvements Needed in Procedures for Certifying Medical Providers and Processing and Paying Medical Claims in the Philippines, 9/9/2011

**Description of Action:** Assistant Secretary of Defense (Health Affairs) is implementing recommendations to improve the certification of medical providers and the claims payment process in the Philippines.

**Reason Action Not Completed:** Policy manual needs to be updated.

**Principal Action Office:** Assistant Secretary of Defense (Health Affairs)

**Report:** D-2011-108, Geothermal Energy Development Project at Naval Air Station Fallon, Nevada, Did Not Meet Recovery Act Requirements, 9/19/2011

**Description of Action:** Establish a timeline for project completion and then determine if the project is still a valid use of Recovery Act funds.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Navy

**Report:** D-2011-111, Guidance for Petroleum War Reserve Stock Needs Clarification (U), 9/27/2011

**Description of Action:** Report is Classified.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** USD(AT&L), Joint Chiefs of Staff

**Report:** D-2011-115, DoD Cannot Ensure Contractors Protected Controlled Unclassified Information for Weapon Systems Contracts, 9/30/2011

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Extensive time needed to analyze public comments and issue a final rule.

**Principal Action Office:** USD(AT&L)

**Report:** DODIG-2012-004, Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control Costs at the Corpus Christi Army Depot, 11/3/2011

**Description of Action:** Army will develop a plan to improve use of existing inventory and source of supply; will obtain refunds from Sikorsky for a materiel cost reduction incentive and for excessive profits on purchases from Defense Logistics Agency; and contracting personnel will improve contracts related to materiel cost reduction incentives and purchases from DLA to prevent Sikorsky from making excessive profits.

**Reason Action Not Completed:** Long-term corrective actions are ongoing.

**Principal Action Office:** Army

**Report:** DODIG-2012-006, Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed, 11/1/2011

**Description of Action:** Deputy Assistant Secretary of the Army for Procurement will conduct a review of the contracting officers who oversaw Counter Narcoterrorism Technology Program Office contracts and allowed excess fees to the contractor. The U.S. Army Space and Missile Command contracting office will meet with the contractor who received excess fixed fees in the amount of \$77,014 to negotiate a return of the funds.

**Reason Action Not Completed:** The Office of the Deputy Assistant Secretary of the Army for Procurement has not yet conducted a review of the contracting officers who oversaw Counter Narcoterrorism Technology Program Office contracts and allowed excess fixed fees to the contractor. The U.S. Army Space and Missile Command contracting office has not yet modified contracts to correct billing fees.

**Principal Action Office:** Army

**Report:** DODIG-2012-007, Acquisition of the Multi-Platform Radar Technology Insertion Program Needs Transparency and Accountability, 4/11/2012

**Description of Action:** Direct the Air Force to update the Acquisition Strategy before Milestone C, submit a capability production document in the acquisition decision memorandum, and update the Multi-Platform Radar Technology Insertion Program/Global Hawk Block 40 Test and Evaluation Master Plan.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** USD(AT&L)

**Report:** DODIG-2012-017, U.S. Naval Academy Officials Did Not Adhere to Contracting and Gift Policies, 11/7/2011

**Description of Action:** The U.S. Naval Academy will revise guidance, improve controls, and implement computer software systems covering in-kind gifts and sponsorship funds

**Reason Action Not Completed:** Corrective actions are being implemented on schedule.

**Principal Action Office:** Navy

**Report:** DODIG-2012-023, Management Improvements Needed in Commander's Emergency Response Program in Afghanistan, 11/21/2011

**Description of Action:** Develop guidance to ensure the local commands continue to pursue debt collection and conduct investigations on contractor debt pertaining to Commander's Emergency Response Program projects.

**Reason Action Not Completed:** Additional time required to coordinate and issue revised guidance.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2012-026, Air Force Can Improve Controls Over Base Retail Inventory, 11/23/2011

**Description of Action:** Improve oversight on the completion of required physical inventories, documentation supporting inventory adjustments and storage practices.

**Reason Action Not Completed:** Long-term corrective actions are progressing.

**Principal Action Office:** Air Force

**Report:** DODIG-2012-036, DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft, 1/5/2012

**Description of Action:** Report is FOUO

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** USD(AT&L)

**Report:** DODIG-2012-039, Summary Report on DoD's Management of Undefined Contractual Actions, 1/13/2012

**Description of Action:** Develop a transparent means to document incurred costs and reduced cost risk related to substantial incurred costs during undefined periods.

**Reason Action Not Completed:** The original Defense Federal Acquisition Regulation Supplement case has been subsumed under a new Defense Federal Acquisition Regulation Supplement case to address a broader effort to review and modify the Department's profit guidelines.

**Principal Action Office:** USD(AT&L)

**Report:** DODIG-2012-049, Improvement Needed With Identifying Operating Costs Assessed to the Fleet Readiness Center Southwest, 2/2/2012

**Description of Action:** DLA Aviation San Diego and DLA Finance will collaborate with Fleet Readiness Center Southwest to establish a support agreement to clearly define DLA Aviation San Diego roles and responsibilities: supply, storage, and distribution services to be performed; as well as cost associated with the agreed-on services.

**Reason Action Not Completed:** Support agreement is being finalized and signature is expected by April 30, 2013.

**Principal Action Office:** DLA

**Report:** DODIG-2012-050, Improvements Needed With Host-Based Intrusion Detection Systems, 2/3/2012

► Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix 3, Section 5(b)(4).

**Description of Action:** Report is FOUO.

**Reason Action Not Completed:** Multiple systems and configuration processes that are needed are ongoing.

**Principal Action Office:** U.S. Cyber Command, Defense Information Systems Agency

**Report:** DODIG-2012-058, Distribution of Funds and Mentoring of Finance Officers for the Afghanistan National Army Payroll Need Improvement, 2/29/2012

**Description of Action:** Develop control procedures for the payroll process and for Afghan National Army payroll auditing and mentoring.

**Reason Action Not Completed:** Ongoing discussions with DFAS to review payroll controls and determine which controls are applicable and can be effectively adopted.

**Principal Action Office:** U.S. Central Command

**Report:** DODIG-2012-064, Vulnerability and Risk Assessments Needed to Protect Defense Industrial Base Critical Assets, 3/13/2012

**Description of Action:** Report is FOUO

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** USD(P)

**Report:** DODIG-2012-066, General Fund Enterprise Business System Did Not Provide Required Financial Information, 3/26/2012

**Description of Action:** Implement corrective actions to address the Standard Financial Information Structure gaps as reported in the General Fund Enterprise Business System.

**Reason Action Not Completed:** Corrective actions are on schedule.

**Principal Action Office:** Army

## Contract Audits with Significant Findings

### DoD IG

<b>Audit Report No. DODIG-2013-025</b>	<b>Date:</b> Nov. 30, 2012
<b>Subject:</b> Accountability Was Missing For Government Property Procured on the Army's Services Contract for Logistics Support of Stryker Vehicles	
<b>Report:</b> \$1.1 Million in Funds Put to Better Use	
DoD IG identified government property (Army-owned inventory), valued at about \$892.3 million, that was not being valued or traced in Army property accountability systems or on the financial statements. The Program Management Office for Stryker Brigade Combat Team inappropriately treated the inventory as contractor-acquired property instead of government property. As a result, Program Management Office for Stryker Brigade Combat Team officials did not comply with DoD and Army regulations on fiduciary responsibility over government property and statutory requirements for improving inventory management practices. Additionally, the review of 21 high-dollar parts, valued at \$85.1 million, showed that 16 parts had excess Stryker inventory of \$72.7 million that could be either disposed of (\$58.0 million) or potentially used on other contracts (\$14.7 million). During the audit, DoD IG identified 170 empty engine containers, valued at \$1.1 million, that the contractor determined could be used to store a different engine, thereby reducing future requirements.	

<b>Audit Report No. DODIG-2013-040</b>	<b>Date:</b> Jan. 31, 2013
<b>Subject:</b> Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts	
<b>Report:</b> \$1.03 Billion in Funds Put to Better Use	
DoD obligated about \$486.1 million on G222 aircraft that support the Afghan Air Forces. The NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan and G222 Program Management Office officials did not effectively manage the G222 program and did not determine the cost or availability of spare parts to sustain the aircraft. As a result, NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan and G222 Program Management officials may spend about \$200 million in Afghanistan Security Forces Funds on spare parts for an aircraft that may not be sustainable. Subsequently the Air Force decided that once the sustainment support contract expired in March 2013, no action would be taken to issue a new delivery order, ending the G222 program. According to the G222 Program Management Office officials, the program would have required an additional \$830 million if continued through March 2022, as originally planned, to include a significant amount for spare parts.	

### DCAA

<b>Audit Report No. 09731-2010F17100910</b>	<b>Date:</b> Oct. 26, 2012
<b>Subject:</b> Independent Audit of Termination Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$36.7 Million Questioned Cost	
The audit of the termination settlement proposal questioned \$36.7 million due to (i) proposed costs incurred after the termination date that were included in a separate pricing action; (ii) lack of supporting documentation; (iii) proposed expenses exceeding the actual costs incurred; and (iv) proposed costs not in compliance with various FAR provisions.	

<b>Audit Report No. 03321-2004K10100002</b>	<b>Date:</b> Oct. 31, 2012
<b>Subject:</b> Independent Audit of Contractor Fiscal Year 2004 Corporate Home Office and Intermediate Home Offices Certified Final Indirect Cost Proposal	
<b>Prepared For:</b> Defense Contract Management Agency	

# Appendix G

## **Report: \$59.2 Million Questioned Cost**

The audit of the indirect cost proposal questioned \$59.2 million, including the following significant items: \$19.5 million of claimed residual expenses that should have been separately allocated to segments; \$17.8 million of consultant costs that were not adequately supported with work products, agreement details, or vendor invoices; \$14.8 million of employee benefit costs which were not adequately supported with actual cost information or calculations; and \$3.7 million due to the contractor's failure to include a credit to rent expense in its submission.

**Audit Report No. 03321-2004K10100001**

**Date:** Nov. 5, 2012

**Subject:** Independent Audit of Contractor Fiscal Year 2004 Incurred Cost Submission

**Prepared For:** Defense Contract Management Agency

## **Report: \$1.2 Billion Non-Compliant Cost**

The audit of the incurred cost submission resulted in identification of \$1.2 billion of non-compliant costs with FAR and Cost Accounting Standards, including the following significant items: \$1 billion of subcontract costs and \$100 million of other direct costs such as travel, freight, and employee benefits.

**Audit Report No. 03191-2007O10100002**

**Date:** Nov. 14, 2012

**Subject:** Independent Audit of FY 2007 Incurred Costs

**Prepared For:** Defense Contract Management Agency

## **Report: \$44.5 Million Questioned Cost**

The audit of the incurred cost proposal questioned \$44.5 million including \$43.7 million of prior period time and material labor; and \$.8 million of misclassified or out of period material, direct manufacturing and professional costs, and unallowable indirect costs.

**Audit Report No. 02191-2012G17100001**

**Date:** Dec. 14, 2012

**Subject:** Independent Audit of Termination Settlement Proposal

**Prepared For:** Defense Contract Management Agency

## **Report: \$78.0 Million**

The audit of the termination settlement proposal questioned \$78.0 million, including the following significant items: \$73 million of inadequately supported "other costs" which appears to be calculated lost profit; \$3.6 million of labor costs not allocable to the contract or overstated due to overstated labor rates.

**Audit Report No. 03701-2010B17100005**

**Date:** Dec. 20, 2012

**Subject:** Independent Audit of Termination Settlement Proposal

**Prepared For:** DCMA Terminations Division

## **Report: \$57.3 Million Questioned Costs**

The audit of the termination settlement proposal questioned \$57.3 million, including the following significant items: \$17 million of unabsorbed overhead not recoverable on the terminated contract; \$7.8 million of severance costs allocable to other contracts, or not required by law or agreement; \$11.1 million due to an inadequate subcontract settlement proposal; and \$4.1 million of consulting costs not directly allocable to the terminated contract in accordance with the contractor's disclosed cost accounting practices.

**Audit Report No. 06501-2007C10100001**

**Date:** Dec. 20, 2012

**Subject:** Independent Audit of 2007 Incurred Cost Proposal

**Prepared For:** Defense Contract Management Agency

## **Report: \$17.3 Million Questioned Costs**

The audit of the incurred cost proposal questioned \$17.3 million, including the following significant items: \$3.3 million of costs for which no or inadequate supporting documentation was provided; \$3.8 million of pre-paid software maintenance costs not allocable to the period under audit; \$2.0 million of legal fees not allocable to the period or contractor segments under audit, or unallowable fees relating to bid protest or anti-trust actions; and \$1.1 million of construction expenses that should have been capitalized instead of expensed when incurred.

<b>Audit Report No. 01291-2005H10100007</b>	<b>Date:</b> Jan. 15, 2013
<b>Subject:</b> Independent Audit of Fiscal Year 2005 Incurred Costs	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$25.4 Million Questioned Costs	
The audit of the incurred cost proposal questioned \$25.4 million, including the following significant items: \$5.4 million of excessive lease costs for equipment leased from a related company; \$5.8 million of subcontract costs questioned in an assist audit; and \$10.5 million of subcontract costs due to inadequate cost/price analysis or sole source justification, lack of supporting documentation, costs not in compliance with subcontract terms, or duplicated costs.	

<b>Audit Report No. 02191-2012C17100001</b>	<b>Date:</b> Feb. 1, 2013
<b>Subject:</b> Independent Audit of Termination for Convenience Settlement Proposal	
<b>Prepared For:</b> U.S. Army Corps of Engineers	
<b>Report:</b> \$11.4 Million Questioned Cost	
The audit of the termination settlement proposal questioned \$11.4 million, including the following significant items: \$4.3 million of direct labor and associated overhead without adequate support for the amounts actually paid to employees; \$3.0 million of indirect costs based on indirect rates that were improperly computed using contract values as allocation bases instead of actual costs and which were not computed on a fiscal year basis; and \$3.3 million of subcontract costs for which detailed invoices were not provided and for which the contractor did not provide sole source justification or evidence that the subcontracts were awarded competitively.	

<b>Audit Report No. 06391-2008D10100001</b>	<b>Date:</b> Feb. 1, 2013
<b>Subject:</b> Independent Audit of Corporate Final Indirect Cost Allocations, Segment Executive Compensation, and Central Office Payments for Fiscal Year 2008	
<b>Prepared For:</b> Defense Contract Management Agency	
<b>Report:</b> \$22.8 Million Questioned Cost	
The audit of the corporate allocations questioned \$22.8 million, including the following significant items: \$15.1 million for costs related to a divested commercial segment that are unrelated to government contracts; \$4.1 million of compensation and associated costs for employees who performed unallowable activities (such as lobbying or organization activities); and \$1.2 million for costs that should be allocated directly to segments or for which adequate supporting documentation was not provided.	

<b>Audit Report No. 06321-2011T17900001</b>	<b>Date:</b> Feb. 4, 2013
<b>Subject:</b> Independent Audit of Subcontract Costs for Period of Jan. 1, 2009 through end of the Subcontract Jan. 20, 2011	
<b>Prepared For:</b> U.S. Department of State	
<b>Report:</b> \$30 Million Questioned Cost	
The audit of the billed subcontract costs questioned \$30 million due to the difference between the amount billed for the subcontractor using the prime contractor's time and material labor rates and the amount of subcontract costs actually incurred by the prime.	

<b>Audit Report No. 03311-2011C17900003</b>	<b>Date:</b> Feb. 11, 2013
<b>Subject:</b> Independent Audit of Direct Costs	
<b>Prepared For:</b> Naval Air Systems Command	
<b>Report:</b> \$93.4 Million Questioned Cost	
The audit of the claimed direct costs questioned \$93.4 million, including the following significant items questioned because the contractor failed to obtain written contracting officer approval prior to incurring the costs as required by the contract: \$43.8 million of subcontract costs, \$44.1 million of material and other costs; and of \$5.5 million of travel expenses.	

<b>Audit Report No. 06281-2005H10100001</b>	<b>Date:</b> Feb. 28, 2013
<b>Subject:</b> Independent Audit of FY 2005 Incurred Cost Submission	
<b>Prepared For:</b> Defense Contract Audit Agency	
<b>Report:</b> \$98.5 Million Questioned Cost	

The audit of the incurred cost submission questioned \$98.5 million, including the following significant items: \$55.2 million of pension costs incorrectly claimed at the corporate level; \$2.2 million of pension administrative expenses that were out of period, inadequately supported, or not allocable to government segments; \$9.1 million of health insurance premiums for employee dependents due to lack of evidence of the eligibility of the dependents for coverage; \$6.2 million of out of period business insurance costs; and \$4.3 million of other charges because the contractor did not provide the basis for allocating the costs to segments.

- Fulfills requirements of the National Defense Authorization Act for FY 2008 Section 845.

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## Results of Peer Reviews

### Peer Review of Department of Defense IG by U.S. Department of Housing and Urban Development Office of the Inspector General

The Department of Housing and Urban Development Office of the Inspector General, conducted an external peer review of DoD IG Office of Audit and issued a final report Nov. 13, 2012. DoD IG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at [www.dodig.mil/pubs/reviews.html](http://www.dodig.mil/pubs/reviews.html)

### Quality Control Review of the Defense Finance and Accounting Service Audit Organization

DoD IG conducted a review of the Defense Finance and Accounting Service audit organization covering a one year period ending June 30, 2011, and issued a report Feb. 28, 2013. DoD IG identified significant deficiencies in the DFAS audit organization's compliance with its system of quality control, including the failure to exercise sufficient professional judgment. As such, DFAS was issued a fail opinion on its audit organization's system of quality control. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. DoD IG review concluded that the DFAS audit organization did not comply with generally accepted government auditing standards and their system of quality control for audits for the review period ended June 30, 2011. DoD IG determined that the system of quality control did not provide reasonable assurance that DFAS audit personnel were following established guidance, policies, procedures, and applicable audit standards. Thirteen recommendations were made to correct the noted deficiencies. DFAS concurred with 12 of the 13 recommendations.

- Fulfills requirements of the Inspector General Act of 1978, as amended, 5 U.S.C., Appendix, Section 5(a)(14),(15),(16) and Section 8(c)(10).

# Appendix I

## Acronyms

ACC-APG	Army Contracting Command–Aberdeen Proving Ground	DPAP	Defense Procurement and Acquisition Policy
ADA	Antideficiency Act	E2C2	Export Enforcement Coordination Center
AFAA	Air Force Audit Agency	E2/C2	E-2 Hawkeye/C-2 Greyhound Program
AFCEE	Air Force Center for Engineering and the Environment	EBS	Enterprise Business System
AFIS	Armed Forces Information Services	ERP	enterprise resource planning
AFOSI	Air Force Office of Special Investigations	FAR	Federal Acquisition Regulation
AMC	Army Materiel Command	FBI	Federal Bureau of Investigation
ANA	Afghan National Army	FDA	Food and Drug Administration
ANSF	Afghan National Security Forces	FFP	firm fixed price
ARNG	Army National Guard	FIAR	Financial Improvement and Audit Readiness
ASA(FM&C)	Office of Assistant Secretary of the Army (Financial Management And Comptroller)	FMTV	family of medium tactical vehicles
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives	FOIA	Freedom of Information Act
C2	command and control	FOUO	for official use only
CA ARNG	California Army National Guard	GAGAS	generally accepted government auditing standards
CCMR	Center for Civil-Military Relations	GAO	General Accountability Office
CFO	Chief Financial Officer	GSA	General Services Administration
CIGIE	Council of the Inspectors General on Integrity and Efficiency	HHS	Department of Health and Human Services
CIO	chief information officer	HUBZones	historically underutilized business zones
CIOC	Command Intelligence Operations Center	HME	homemade explosions
CITF	Criminal Investigation Task Force	ICE	Immigration and Customs Enforcement
CODIS	Combined DNA Index System	IED	improvised explosive device
CONUS	continental United States	IG	Inspector General
COR	contracting officer representative	IMCOM	U.S. Army Installation Management Command
DA	Department of the Army	INN	International Nephrology Network (renamed Integrated Nephrology Network)
DAGR	Defense Advanced GPS Receiver	INTERPOL	International Criminal Police Organization
DARPA	Defense Advanced Research Projects Agency	IRS-CI	Internal Revenue Service-Criminal Investigation
DASD PSO	Deputy Assistant Secretary of Defense for Partnership Strategy and Stability Operations	ISAF	International Security Assistance Force
DCAA	Defense Contract Audit Agency	IT	information technology
DCIS	Defense Criminal Investigative Service	JTFR	joint federal travel regulations
DCMA	Defense Contract Management Agency	LEP	law enforcement professionals
DDO	deputy disbursing officer	MAC	multiple-award contract
DEA	Drug Enforcement Administration	MCIO	military criminal investigative organizations
DFAS	Defense Finance and Accounting Service	MEDCOM	U.S. Army Medical Command
DIRI	Defense Institution Reform Initiative	MHE	mental health evaluation
DIA	Defense Intelligence Agency	MILCON	military construction
DLA	Defense Logistics Agency	MILPERS	military personnel
DNA	deoxyribonucleic acid	MOA	memorandum of agreement
DoD	Department of Defense	MoDA	Ministry of Defense Advisors
DoD IG	Department of Defense Inspector General	NADCAP	National Aerospace and Defense Contractors Accreditation Program
DOE	Department of Energy	NAF	Nonappropriated Fund
DON	Department of the Navy	NAFI	Nonappropriated Fund Instrumentality
		NASA	National Aeronautics and Space Administration
		NASNI	Naval Air Station North Island

NATO	North Atlantic Treaty Organization	SBA	Small Business Administration
NAVAUDSVC	Naval Audit Service	SES	senior executive service
NAVFAC	Navy Facilities Engineering Command	SFIS	Standard Financial Information Structure
NAVSUP	Naval Supply Systems Command	SDVOSB	Service-disabled veteran-owned small business
NAVSUP WSS	Naval Supply Systems Command Weapons System Support	SOF	Special Operations Forces
NDAA	National Defense Authorization Act	SSA	Supply Support Activities
NCIS	Naval Criminal Investigative Service	TMA	TRICARE Management Activity
NJTTF	National Joint Terrorism Task Force	TRADOC	U.S. Army Training and Doctrine Command
NMH	National Military Hospital	TSS	Training Support System
NTM-A/CSTC-A	NATO Training Mission – Afghanistan/ Combined Security Transition Command – Afghanistan	USAAA	U.S. Army Audit Agency
NWRM	nuclear weapons related material	USACE	U.S. Army Corps of Engineers
OBT	(Army) Office of Business Transformation	USACE TAN	U.S. Army Corps of Engineers Transatlantic District-North
OSHA	Occupational Safety and Health Administration Personnel	USACIDC	U.S. Army Criminal Investigation Defense Command
OCONUS	outside the continental United States	USACIL	U.S. Army Criminal Investigation Laboratory
OIG	Office of Inspector General	USAMMA	U.S. Army Medical Materiel Agency
OMB	Office of Management and Budget	U.S.C.	U.S. Code
OPM	Office of Personnel Management	USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
OPTEMPO	operating tempo	USD(C)	Under Secretary of Defense (Comptroller)
PARC	principal assistant responsible for contracting	USMA	U.S. Military Academy
PEO	program executive officer	USTRANSCOM	U.S. Transportation Command
PMO	Program Management Office	VA	Veterans Affairs
PMO Stryker	Project Management Office for Stryker Brigade Combat Team	WPO	Whistleblower Protection Ombudsman
PV	prime vendor	WERS	Worldwide Environmental Remediation Services
QA	quality assurance	WRI	whistleblower reprisal investigation



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